

IQE plc

Cardiff, UK
23 September 2025

H1 2025 Results

IQE plc (AIM: IQE, "IQE" or the "Group"), the leading global supplier of compound semiconductor wafer products and advanced material solutions, today announces its unaudited results for the six months ended 30 June 2025.

H1 2025 Financial Summary:

	H1 2025 £'m	H1 2024 £'m
Revenue	45.3	66.0
Adjusted EBITDA ¹	(0.4)	6.6
Adjusted loss before tax	(12.9)	(7.2)
Reported loss before tax	(23.5)	(12.1)
Adjusted net cashflow from operations	6.2	1.8
Reported net cashflow from operations	3.6	(2.6)
Cash capital expenditure ²	(1.0)	(5.0)
Adjusted net debt ³	(23.5)	(17.0)
Cash and cash equivalents	17.0	7.8
Reported Diluted EPS	(2.69p)	(1.57p)
Adjusted Diluted EPS	(1.60p)	(1.05p)

1. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and certain non-cash charges, non-operational items and significant infrequent items set out in Note 8 in the financial statements section.

2. Cash capital expenditure stated is Property, Plant and Equipment cash capex.

3. Adjusted net debt is calculated as cash less borrowings but excluding lease liabilities and fair value gains/losses on derivative instruments.

H1 2025 Financial Highlights:

- **Revenue** for H1 2025 decreased at £45.3m (H1 2024: £66.0m).
 - **Wireless revenue** of £18.6m (H1 2024: £38.8m) decreased 52% year-on-year reflecting slow demand due to the overhang of 2024 customer inventory builds, tariff uncertainty and softness in consumer purchasing of mobile handsets.
 - **Photonics revenue** of £26.6m (H1 2024: £26.8m) was broadly flat year-on-year reflecting strong performance in InP data communications for AI markets, partially offsetting funding delays in US military and defence Infrared markets.
- **Adjusted LBITDA** of (£0.4m) (H1 2024: £6.6m EBITDA), reflecting low operating leverage as a result of capacity underutilisation stemming from lower market demand.

- **Reported operating loss** of (£23.5m) (H1 2024: (£12.1m)).
- **Reported net cashflow from operations** of £3.6m (H1 2024: (£2.6m)) significantly increased year-on-year, reflecting careful cash management and a £4.6m working capital inflow.
- **Cash capital expenditure** (PP&E) of £1.0m (H1 2024: £5.0m) reflecting prudent investment into the Group's GaN diversification and capacity expansion.
- **Adjusted net debt** of £23.5m (H1 2024: net debt of £17.0m) with an undrawn balance of \$5.5m (£4.0m) on the Group's Revolving Credit Facility as at 30 June 2025.
- **Cash and cash equivalents** of £17.0m as at 30 June 2025 following the £18.0m Convertible Loan Note fundraising in March 2025.
- **Cost control and cash generation**
 - Tight controls over discretionary expenditure in line with current trading environment
 - Continued reduction in SG&A spend while simultaneously strengthening operational capabilities
 - Maintained right-sized headcount following over 10% reduction in prior year
 - Asset optimisation including the sale of excess tools resulting from site consolidation
 - Share swap in lieu of salary agreed for senior management, taking effect in H2 2025
- **Global site optimisation programme**
 - Cessation of manufacturing operations at Silicon site in South Wales in Q1 2025 with exit from the site anticipated in Q4 2025

Business update:

- **Connect**

Strength in InP reflects proliferation of AI and demands for greater connectivity, speed and functionality.

 - Secured multiple Tier 1 customer design wins for laser and detector products enabling next-generation AI and hyperscale data centre infrastructure, while simultaneously launching 6-inch foundry platform to serve future demand for Silicon Photonics
 - New platform adoption of GaN RF radar solutions in satellite communications and military and defence sectors, strengthening IQE's position in mission-critical markets and supporting the build out of satellite internet constellations
 - Integration of higher-performance HBTs in leading smartphones, delivering enhanced AI capabilities and battery performance

- Customer partnership to develop microLEDs enabling high density, power efficient datacom interconnects

- **Sense**

Continued demand for sensing products in consumer mobile markets with expansion of Infrared products across critical defence platforms.

- Advanced stage customer qualification for higher-performance VCSELs powering the next-generation of 3D Sensing in future generations of smartphones
- Diversification of 3D Sensing product portfolio with multi-junction VCSELs, enabling precision gesture recognition for AR/VR applications
- Expansion of Infrared customer portfolio with next-generation long-wavelength solutions (LWIR) for autonomous sensing platforms
- Delivery of first commercial orders for 6-inch GaSb epiwafers enabling large area sensor products for advanced imaging for space and satellite applications

- **Power**

Strong development pipeline despite slower adoption of electric vehicle technology.

- Progression of Joint Development Agreement with X-FAB, sampling underway with leading automotive Power customers
- Continued development of GaN on Si technology to create sovereign supply chains for both US and European markets, leveraging IQE's longstanding expertise in RF applications
- Development of higher-voltage GaN (>1000 V) through government-funded programs for vertical GaN and GaN on sapphire, targeting automotive and radar markets

- **Display**

Continuation of development partnership with consumer multinational in new display ecosystems targeting next-generation devices.

- Expansion of GaN reactor capacity to support 8-inch GaN on Si development by consumer OEMs to enable cutting edge AR/VR displays
- Delivering 8-inch RGB (red, green, blue) epitaxy for silicon integration, enabling high volume, cost-effective advanced microLED technologies

Strategic Review:

On 8 September, IQE announced the expansion of its ongoing Strategic Review to incorporate the potential sale of the Company and confirmed that it was already in receipt of an approach from a potential offeror. Additional early-stage expressions of interest have been received

following the announcement. There can be no certainty either that an offer will be made nor as to the terms of any offer, if made.

In addition, IQE continues to advance discussions relating to the sale of the Group's operations in Taiwan. Should the sale of Taiwan be concluded, it is expected that the proceeds from such sale will be used to fully repay the Group's Revolving Credit Facility with HSBC Bank and the Convertible Loan Notes issued in March 2025, as well as providing IQE with cash to invest in its core operations.

The Board continues to be advised by Lazard on the full scope of the Strategic Review.

Current trading and outlook:

Uncertain macroeconomic conditions impacted trading in H1 2025, resulting in some end customer demand being fulfilled with their existing inventory. During this period, Wireless markets were affected by softness in mobile handset sales, and this is expected to persist through 2025. Additionally, delays to federal funding cycles in US military and defence sectors are resulting in the deferral of orders into 2026.

As previously announced, revenue for FY 2025 is expected to be between £90.0m to £100.0m, resulting in an adjusted EBITDA position of between £(5.0m) to £2.0m (the "IQE Profit Forecast"). Efficiency initiatives focused on cost structure and capacity utilisation are ongoing, with the aim of strengthening margins and cash generation.

The IQE Profit Forecast constitutes an ordinary course profit forecast for the purposes of Note 2(a) on Rule 28.1 of the Code. Accordingly, the appendix to this announcement contains the IQE directors' confirmations required pursuant to Rule 28.1(c) of the Code.

The Group's banking facilities provided by HSBC Bank plc are subject to certain covenant tests. IQE has received a waiver from HSBC in relation to Q3 2025 EBITDA covenant testing. This is a reflection of the longstanding and supportive relationship with the lender. IQE is also engaged with stakeholders to improve both the Group's near-term liquidity position and working capital cycle.

IQE's robust and ever-growing customer pipeline, featuring Tier 1 consumer brands, underscores ongoing market demand for the Company's products, with market conditions anticipated to improve in 2026 as existing inventory levels start to normalise. IQE is seeing strong organic growth in multiple areas, including VCSELs for next-generation smartphones, InP products for data centre and optical communication markets, microLED for AR/VR and GaN RF products.

Jutta Meier, Chief Executive Officer of IQE, commented:

"Our first half performance fell short of expectations, driven by a combination of market headwinds and the unwinding of customer inventory. Despite this, I remain encouraged by the progress we have made and our continued investment in innovation is yielding promising results. We have made significant development progress in areas that are critical to our long-term strategy, such as in GaN and microLED, and are poised to capitalise on the opportunities in these growing markets."

Looking ahead, our operational discipline supports IQE's long-term vision centred on sustainable growth. This is underscored by our continued strong customer pipeline, which reinforces my confidence in our diversification strategy. Additionally, I am pleased to see the increasing level of interest in our Strategic Review, and I look forward to updating the market on the progress we are making in due course."

Results Presentation:

IQE will present its H1 2025 Results via webcast at **8:30am** BST today, 23 September 2025. If you would like to view this webcast, please register by using the below link and following the instructions:

https://brrmedia.news/IQE_HY25

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GLOSSARY

GaN – Gallium Nitride

GaSb – Gallium Antimonide

InP – Indium Phosphide

ABOUT IQE

<http://iqep.com>

IQE is the leading global supplier of advanced compound semiconductor wafers and materials solutions that enable a diverse range of applications across:

- Smart Connected Devices
- Communications Infrastructure
- Automotive and Industrial
- Aerospace and Security

As a scaled global epitaxy wafer manufacturer, IQE is uniquely positioned in this market which has high barriers to entry. IQE supplies the global market and is enabling customers to innovate at chip and OEM level. By leveraging the Group's intellectual property portfolio including know-how and patents, it produces epitaxy wafers of superior quality, yield and unit economics.

IQE is headquartered in Cardiff UK, with employees across manufacturing locations in the UK, US and Taiwan, and is listed on the AIM Stock Exchange in London.

Appendix

Directors' confirmation

The directors of IQE confirm that, as at the date of this announcement, the IQE Profit Forecast remains valid and that it has been properly compiled on the basis of the assumptions set out below and that the basis of accounting used is consistent with IQE's existing accounting policies.

Basis of preparation

The IQE Profit Forecast is based on IQE's current internal unaudited consolidated accounts for the 7-month period ended 31 July 2025 and IQE's current internal unaudited forecasts for the remainder of the financial year ending 31 December 2025. The IQE Profit Forecast has been compiled on the basis of the assumptions set out below.

The basis of the accounting policies used in the IQE Profit Forecast is consistent with the existing accounting policies of the IQE group.

Assumptions

The IQE Profit Forecast has been prepared on the basis referred to above and subject to the principal assumptions set out below. The IQE Profit Forecast is inherently uncertain and there can be no guarantee that any of the assumptions listed below will occur and/or if they do, their effect on IQE's results of operations, financial condition or financial performance may be material. The IQE Profit Forecast should be read in this context and construed accordingly.

The directors of IQE have made the following assumptions in respect of the financial year ending 31 December 2025:

Assumptions within IQE's control or influence:

- (a) no material change to the existing strategy or operation of IQE's business, including the business or operating model;
- (b) no material adverse change to IQE's ability to meet customer, supplier and partner needs and expectations based on current practice;
- (c) no material unplanned asset disposals, merger and acquisition or divestment activity conducted by or affecting the IQE group;
- (d) no material change to the present management of the IQE group; and
- (e) no material change in capital allocation policies of the IQE group.

Assumptions outside of IQE's control or influence

- (a) no material effect from changes to existing prevailing macroeconomic, fiscal / inflationary conditions in the markets or regions in which the IQE group operates;
- (b) no material adverse change to IQE's market environment, including in relation to consumer demand or competitive environment;
- (c) no material adverse events that have a significant impact on IQE's major partners or suppliers;
- (d) no material changes of the value of pound sterling above the average foreign exchange rates that have applied during the 7-month period ended 31 July 2025;
- (e) no material adverse events that would have a significant impact on the IQE group, including (but not limited to) information technology/cyber infrastructure;

- (f) no material new litigation or regulatory investigations, and no material unexpected developments in any existing litigation or regulatory investigation, each in relation to any of IQE's operations, products or services; and
- (g) no material change in legislation, taxation or regulatory requirements impacting IQE's operations, expenditure or its accounting policies.

Financial Review

Consolidated Income Statement		6 months to	6 months to	12 months to
(All figures £'000s)	Note	30 Jun 2025	30 Jun 2024	31 Dec 2024
		Unaudited	Unaudited	Audited
Revenue	7	45,254	66,018	118,034
Cost of sales		(44,723)	(61,026)	(113,588)
Gross profit		531	4,992	4,446
Selling, general and administrative expenses		(16,305)	(16,211)	(29,982)
Impairment loss on intangible assets		(6,968)	-	(3,772)
Impairment loss on property, plant and equipment		(401)	(90)	(4,615)
Impairment loss on right of use asset		(245)	-	(31)
Impairment loss on trade receivables and contract assets		(65)	(31)	(3)
(Loss)/profit on disposal of intangible assets and property, plant and equipment		-	(1,094)	797
Gains on remeasurement of right of use asset		-	296	202
Operating loss	7	(23,453)	(12,138)	(32,958)
Finance income		117	-	-
Finance costs		(3,163)	(1,765)	(3,947)
Adjusted loss before income tax		(15,994)	(8,972)	(22,304)
Adjustments	8	(10,505)	(4,931)	(14,601)
Loss before income tax	7	(26,499)	(13,903)	(36,905)
Taxation		462	(1,168)	(1,273)
Loss for the period		(26,037)	(15,071)	(38,178)
Loss attributable to:				
Equity shareholders		(26,037)	(15,071)	(38,178)
		(26,037)	(15,071)	(38,178)
Loss per share attributable to owners of the parent during the period				
Basic loss per share	10	(2.69p)	(1.57p)	(3.96p)
Diluted loss per share	10	(2.69p)	(1.57p)	(3.96p)

Adjusted basic and diluted earnings per share are presented in Note 10.

All items included in the loss for the period relate to continuing operations.

Consolidated statement of comprehensive income	6 months to 30 Jun 2025	6 months to 30 Jun 2024	12 months to 31 Dec 2024
(All figures £'000s)	Unaudited	Unaudited	Audited
Loss for the period	(26,037)	(15,071)	(38,178)
Exchange differences on translation of foreign operations*	(3,710)	(1,181)	(826)
Total comprehensive expense for the period	(29,747)	(16,252)	(39,004)
Total comprehensive expense attributable to:			
Equity shareholders	(29,747)	(16,252)	(39,004)
	(29,747)	(16,252)	(39,004)

* Balance might subsequently be reclassified to the income statement when it becomes realised.

Consolidated Balance Sheet

(All figures £'000s)	Note	As At 30 Jun 2025 Unaudited	As At 30 Jun 2024 Unaudited	As At 31 Dec 2024 Audited
Non-current assets				
Intangible assets		19,842	34,275	28,950
Property, plant and equipment		103,397	124,716	113,674
Right of use assets		39,382	45,684	42,210
Total non-current assets		162,621	204,675	184,834
Current assets				
Inventories		19,435	24,618	20,009
Trade and other receivables		29,214	46,849	37,424
Cash and cash equivalents	12	16,990	7,810	4,660
Assets held for resale		-	2,304	120
Total current assets		65,639	81,581	62,213
Total assets		228,260	286,256	247,047
Current liabilities				
Trade and other payables		(32,290)	(48,794)	(34,405)
Current tax liabilities		-	(586)	(428)
Bank borrowings	12	-	(1,569)	-
Convertible loan notes	12	(18,243)	-	-
Lease liabilities	12	(4,541)	(7,329)	(5,658)
Provisions for other liabilities and charges		(938)	(1,225)	(774)
Total current liabilities		(56,012)	(59,503)	(41,265)
Non-current liabilities				
Trade and other payables		(1,911)	(2,148)	(2,035)
Bank borrowings	12	(22,285)	(23,220)	(23,460)
Lease liabilities	12	(41,756)	(44,493)	(44,872)
Provisions for other liabilities and charges		(235)	(504)	(774)
Deferred tax liabilities		-	(710)	(531)
Total non-current liabilities		(66,187)	(71,075)	(71,672)
Total liabilities		(122,199)	(130,578)	(112,937)
Net assets		106,061	155,678	134,110
Equity attributable to shareholders of the parent				
Share capital	14	9,765	9,666	9,672
Share premium		155,972	155,920	155,972
Retained earnings		(103,514)	(62,537)	(85,644)
Exchange rate reserve		19,744	31,266	31,621
Other reserves		24,094	21,363	22,489
Total equity		106,061	155,678	134,110

Consolidated Statement of Changes in Equity

Unaudited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Total equity
At 1 January 2025	9,672	155,972	(85,644)	31,621	22,489	134,110
Loss for the period	-	-	(26,037)	-	-	(26,037)
Other comprehensive expense for the period	-	-	-	(3,710)	-	(3,710)
Total comprehensive expense	-	-	(26,037)	(3,710)	-	(29,747)
Share based payments	-	-	-	-	1,399	1,399
Equity component of convertible loan notes	-	-	-	-	206	206
Transfer of exchange rate reserve to retained earnings	-	-	8,167	(8,167)	-	-
Proceeds from shares issued (net of expenses)	93	-	-	-	-	93
Total transactions with owners	93	-	8,167	(8,167)	1,605	1,698
At 30 June 2025	9,765	155,972	(103,514)	19,744	24,094	106,061
Unaudited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Total equity
At 1 January 2024	9,615	155,844	(47,466)	32,447	19,345	169,785
Loss for the period	-	-	(15,071)	-	-	(15,071)
Other comprehensive expense for the period	-	-	-	(1,181)	-	(1,181)
Total comprehensive expense	-	-	(15,071)	(1,181)	-	(16,252)
Share based payments	-	-	-	-	2,018	2,018
Proceeds from shares issued	51	76	-	-	-	127
Total transactions with owners	51	76	-	-	2,018	2,145
At 30 June 2024	9,666	155,920	(62,537)	31,266	21,363	155,678
Audited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Total equity
At 1 January 2024	9,615	155,844	(47,466)	32,447	19,345	169,785
Loss for the year	-	-	(38,178)	-	-	(38,178)
Other comprehensive expense for the year	-	-	-	(826)	-	(826)
Total comprehensive expense	-	-	(38,178)	(826)	-	(39,004)
Share based payments	-	-	-	-	3,177	3,177
Tax relating to share options	-	-	-	-	(33)	(33)
Proceeds from shares issued	57	128	-	-	-	185
Total transactions with owners	57	128	-	-	3,144	3,329
At 31 December 2024	9,672	155,972	(85,644)	31,621	22,489	134,110

Consolidated Cash Flow Statement		6 months to	6 months to	12 months to
(All figures £'000s)	Note	30 Jun 2025	30 Jun 2024	31 Dec 2024
		Unaudited	Unaudited	Audited
Cash flows from operating activities				
Adjusted cash inflow from operations		6,190	1,789	6,087
Cash impact of adjustments	8	(2,582)	(4,421)	(4,805)
Cash generated from operations	11	3,608	(2,632)	1,282
Interest received		117	-	-
Interest paid		(1,961)	(1,410)	(3,317)
Income tax paid		(560)	(701)	(841)
Net cash generated/(used) in operating activities		1,204	(4,743)	(2,876)
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,038)	(4,959)	(11,359)
Purchase of intangible assets		(94)	(916)	(1,609)
Capitalised development expenditure		(1,516)	(1,405)	(1,877)
Proceeds from disposal of property, plant and equipment and intangible assets		116	942	4,906
Acquisition of subsidiary, net of cash received		(150)	(128)	(255)
Adjusted cash used in investing activities		(2,682)	(7,317)	(15,022)
Cash impact of adjustments – proceeds from disposal of property, plant and equipment and intangible assets	8	-	851	4,828
Net cash used in investing activities		(2,682)	(6,466)	(10,194)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		93	127	185
Proceeds from issuance of convertible loan notes		18,000	-	-
Expenses associated with issuance of convertible loan notes		(715)	-	-
Proceeds from bank borrowings		-	19,493	19,493
Repayment of bank borrowings		-	(2,532)	(4,048)
Payment of lease liabilities		(3,419)	(3,613)	(3,470)
Net cash generated from financing activities		13,959	13,475	12,160
Net increase / (decrease) in cash and cash equivalents		12,481	2,266	(910)
Cash and cash equivalents at the beginning of the period		4,660	5,617	5,617
Exchange losses on cash and cash equivalents		(151)	(73)	(47)
Cash and cash equivalents at the end of the period	12	16,990	7,810	4,660

1. REPORTING ENTITY

IQE plc is a public limited company incorporated in the United Kingdom under the Companies Act 2006. The Company is domiciled in the United Kingdom and is quoted on the Alternative Investment Market (AIM).

These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2025 comprise the Company and its Subsidiaries (together referred to as 'the Group'). The principal activities of the Group are the development, manufacture and sale of advanced semiconductor materials.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2024 which were approved by the Board of Directors on 12 May 2025 and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain any statement under section 498 of the Companies Act 2006 but did contain a material uncertainty related to going concern.

The interim financial statements do not include all of the information required for a complete set of IFRS financial statements and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Comparative information in the interim financial statements as at and for the year ended 31 December 2024 has been taken from the published audited financial statements as at and for the year ended 31 December 2024. All other periods presented are unaudited.

The Board of Directors and the Audit Committee approved the interim financial statements on 22 September 2025.

3. GOING CONCERN

The Group has experienced weak customer demand and low customer orders following the global semiconductor industry downturn as recovery has been slower than anticipated in key sectors, driven primarily by geo-politics and low consumer demand in certain end markets. The continuation of weak customer demand, resulting in a 31% reduction in H1 2025 revenue has presented a significant challenge to the business which, as previously announced, led the Directors to commence an on-going Strategic Review of the Group and to take immediate actions to raise the necessary short-term finance to strengthen the Group's liquidity position.

The actions taken by the Directors include:

- The implementation of cost-cutting actions, including staff redundancies, operational efficiencies and reductions in areas of discretionary expenditure which are under the control of the Directors
- The successful £18,000,000 convertible loan note ('CLN') fund raise completed on 13 March 2025 to provide the Group with additional short-term liquidity whilst the Board completes its on-going Strategic Review. The CLN has an initial term of 12 months, the Group has an option to extend for a further six months, bringing the term to 13 September 2026
- The successful negotiation of a Deed of Amendment and Restatement with HSBC Bank plc to the Group's £28,000,000 (\$35,000,000) RCF on 10 March 2025 that replaces the leverage and interest cover financial covenants with minimum EBITDA and minimum liquidity financial covenants for the remaining tenor of the facility
- The successful negotiation of an extension of the RCF with HSBC Bank plc on 12 May 2025 to extend the tenor of the RCF to 1 September 2026
- Formal waiver of the Group's 30 September 2025 minimum EBITDA financial covenant test by HSBC Bank plc

In the six months to 30 June 2025, reported revenue has declined 31% to £45,254,000 and the Group made a loss after tax for the period of £26,037,000. The short term liquidity impact of the loss, combined with capital and technology development expenditure, property lease payments and debt service costs has been mitigated by the successful £18,000,000 convertible loan note fund raise which has resulted in an increase in the Group's cash position to £16,990,000 (H1 2024: £7,810,000, 2024: £4,660,000) despite an increase in the adjusted net debt position (net debt excluding lease liabilities and fair value gains/losses on derivative instruments) to £23,538,000 (H1 2024: £16,979,000, 2024: £18,800,000). At 30 June 2025, the Group had undrawn committed funding of £3,960,000 (\$5,500,000) available under the terms of its multi-currency revolving credit facility.

In assessing the going concern basis of preparation, the Directors have considered the period to 31 December 2026 ('the going concern assessment period') to include the expiry of the extended RCF and extended term date of the CLN.

The Directors have prepared financial projections containing both a 'base case' and a 'severe but plausible downside case'.

Base Case

The base case is derived from Group's latest Board approved H2 2025 and 2026 forecasts. The base case incorporates an expected improvement in market dynamics in 2026 and the impact of cost cutting actions already implemented by the Board.

The base case was prepared with the following key assumptions:

- Revenue for H2 2025 is aligned with the lower end of the Group's latest trading update with year-on-year growth of 31% forecast in 2026 as customer and market dynamics are expected to improve with revenue forecast to return to 2024 levels.
- GBP to USD FX rate of 1.36 adopted for the forecast cash flows throughout the going concern period
- Direct wafer product margins in 2026 reflect improved asset utilisation broadly aligned with historical norms
- Labour headcount increases of ~5% forecast in H2 2025 with labour inflation in line with labour market norms
- Non-labour cost inflation in H2 2025 and 2026 in line with the current 3% inflationary environment
- Mid-single-digit £'m of capital expenditure in H2 2025 which includes investment in committed Gallium Nitride (GaN) related manufacturing capacity, enabling diversification into the high-growth power electronics and advanced display (uLED) markets and low-single-digit £'m of capital expenditure in 2026 related to operational sustainability and maintenance capital expenditure

Severe But Plausible Downside

The severe but plausible downside case was prepared by applying the following downsides:

- Revenue is assumed 8% down on the base case for Q4 2025 and Q1 2026, 22% down for Q2 and Q3 2026 and 24% down for Q4 2026 to reflect a combination of continued weakness in customer demand, further delays in market recovery and the impact of greater forecasting uncertainty the further into the future the forecasts extend. 2025 revenue is forecast at the bottom end of the Group's latest trading update with 2026 revenue forecast at a level similar to the mid-point of the 2025 range.
- In line with the revenue reduction in both years, there is a reflective reduction in variable operating costs for Q4 2025 and 2026

The Directors remain in discussion with the Group's bankers, HSBC Bank plc, to secure the banks continuing support for the Group and have obtained formal waiver of the 30 September 2025 minimum EBITDA financial covenant test, during a period when the Group's Strategic Review remains on-going.

In both the base and severe but plausible downside case, the Group is forecast to breach its minimum EBITDA covenant from 31 December 2025 and minimum liquidity covenant in H1 2026.

The Directors, as part of the announced Strategic Review, plan to raise cash from the divestment of Group assets to ensure that the Group has a strong capital and liquidity position to further invest in its core operations and to enable the Group to refinance or repay its CLNs and RCF loan facility. In the first instance, this plan includes divestment options for a full sale of either the whole Group or the Group's Taiwan operations and a comprehensive Strategic Review of all other Group assets and operations.

Whilst the Directors are confident that the divestment of either the whole Group or IQE Taiwan is progressing as planned and will realise sufficient cash, they acknowledge that either a decision by HSBC Bank plc to withdraw its on-going support of the Group, or a delayed outcome of the potential sale of the whole Group or IQE Taiwan could impact the availability of sufficient funding for the Group's needs in the going concern period from 31 December 2025 onwards.

The Directors have concluded that securing the on-going support of HSBC Bank plc, combined with the successful completion of the planned sale of the whole Group or IQE Taiwan and/or availability of sufficient, appropriate funding for the group's needs beyond 31 December 2025 represent material uncertainties related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern and, therefore, that the group may be unable to realise its assets and discharge its liabilities in the normal course of business. The interim financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements except as follows:

Impairment of Cash Generating Units ('CGU')

At the end of each reporting period, the Group assesses whether there is any indication of impairment of non-current assets allocated to the Group's CGU's. Multiple production facilities and production assets are included in a single CGU reflecting that production can (and is) transferred between sites and production assets for different operating segments to suit capacity planning and operational efficiency. Given the interdependency of facilities and production assets non-current assets are tested for impairment by grouping operational sites and production assets into CGUs based on type of production.

In the six months to 30 June 2025, the Group has experienced weak customer demand and a low volume of customer orders which has contributed to operating losses in each of the Group's Wireless and Photonics CGU's. Operating losses of £2,538,000 (H1 2024: £3,995,000 profit, 2024: £921,000) in the Group's Wireless CGU and £12,756,000 (H1 2024: £7,495,000, 2024: £16,542,000) in its Photonics CGU have been assessed as indicators of impairment such that an impairment assessment of the non-current assets allocated to the Wireless and Photonics CGU's has been performed.

The recoverable amount of the CGUs has been determined based on value in use calculations, using cash flow projections for a five-year period plus a terminal value based upon a long-term growth rate of 2% (H1 2024: 2%, 2024: 2%) in line with The Bank of England's and the US Federal Reserve's monetary policy 2% inflation target.

Value in use calculations are based on the Group's latest five-year cash flow forecasts which have been risk adjusted to reflect industry, market and customer volume related risks and to exclude the impact of expansionary capital expenditure and certain linked earnings and cash flows. The Group has continued to experience weak customer demand and low customer orders following the global semiconductor industry downturn as recovery has been slower than anticipated in key sectors, driven primarily by geo-politics and weak consumer demand in certain end markets. Revenue assumptions in year 1 reflect the lower end of the Group's latest trading update with an assumed improvement in market dynamics from H1 2026. Revenue assumptions for years 2 to 5 have typically been extrapolated from year 2 using business segment growth rates that take account of industry trends, external market research and new business assumptions.

	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year CAGR
	%	%	%	%	%	%
Unadjusted discount rate	18.8%	18.8%	18.8%	18.8%	18.8%	N/A
Photonics revenue growth rate	Latest 2025 and 2026 forecast	33.2%	19.3%	10.7%	19.3%	20.3%
Wireless revenue growth rate	Latest 2025 and 2026 forecast	34.3%	27.7%	13.0%	14.0%	25.8%

Year 1 represents H2 2025 and H1 2026, year 2 represents H2 2026 and H1 2027, year 3 represents H2 2027 and H1 2028, year 4 represents H2 2028 and H1 2029, year 5 represents H2 2029 and H1 2030.

The assumptions and growth rates contained in the Group's value in use calculations have been updated in 2025 compared to the assumptions contained in the Group's prior year value in use calculations. The updated cashflow forecasts reflect current market conditions, customer dynamics, latest industry trends and external market research. The value in use calculations comprise revenue, material costs and site manufacturing labour and overhead cost forecasts that have been assessed and updated by reference to a combination of customer and supplier specific information and a combination of new business assumptions combined with business segment growth rates that take account of industry trends, external market research and market growth assumptions.

Photonics CGU

The recoverable amount of the Photonics CGU of £103,759,000, determined based on value in use calculations is less than the carrying amount (£111,373,000) of the associated intangible assets, property, plant and

equipment, right-of-use assets and working capital allocated to the CGU such that an impairment of Photonics CGU assets has been identified. The impairment has arisen because of persistent weakness in customer demand and low customer orders as market recovery remains slower than anticipated.

The non-cash impairment loss of £7,614,000 relates to the Group's predominantly UK-related photonics assets and has been allocated to goodwill and other relevant assets which has resulted in a non-cash intangible asset impairment charge of £6,968,000 (including £6,845,000 relating to goodwill), non-cash property, plant and equipment impairment charge of £401,000 and a non-cash right of use asset impairment of £245,000.

The Group has carried out a sensitivity analysis on the impairment test for the Photonics CGU, using various reasonably plausible scenarios focused on changes in business segment growth rates and changes in the discount rate applied in the value in use calculations.

- Growth rates in the value in use calculations take account of continuing market demand for compound semiconductors and associated technology advancement, driven by macro trends of 5G, AI, connected devices and defence/security applications that require enabling compound semiconductor material. If the aggregated compound annual revenue growth rate used in the value in use calculations to determine the recoverable amount was to decrease by 1%, the impact on the impairment charge would be to increase the charge by £8,268,000.
- If the discount rate used in the value in use calculations to determine the recoverable amount was to increase by 0.5%, the impact on the impairment charge would be to increase the charge by £4,486,000.
- If direct wafer product margins for all products used in the value in use calculations to determine the recoverable amount were reduced by 1.0%, the impact on the impairment charge would be to increase the charge by £6,374,000.

Wireless CGU

The recoverable amount of the Wireless CGU of £76,052,000 determined based on value in use calculations is higher than the carrying amount (£75,379,000) of the associated intangible assets, property, plant and equipment, right-of-use assets and working capital allocated to the CGU such that no impairment of Wireless CGU assets has been identified.

The Group has carried out a sensitivity analysis on the impairment test for the Wireless CGU, using various reasonably plausible scenarios focused on changes in business segment growth rates and changes in the discount rate applied in the value in use calculations.

- Growth rates in the value in use calculations take account of continuing market demand for compound semiconductors and associated technology advancement, driven by macro trends of 5G and connected devices where 5G network infrastructure and 5G mobile handsets are being enabled by next generation wireless compound semiconductor material. If the aggregated compound annual revenue growth rate used in the value in use calculations to determine the recoverable amount was to decrease by 1% the magnitude of the adverse impact on the recoverable amount of Wireless CGU non-current assets would be £5,847,000.
- If the aggregated compound annual revenue growth rate used in the value in use calculations to determine the recoverable amount was to decrease by 0.2%, this would eliminate all the headroom in the value in use calculation.
- If the discount rate used in the value in use calculations to determine the recoverable amount was to increase by 0.5%, the magnitude of the adverse impact on the recoverable amount of Wireless CGU non-current assets would be £3,122,000.
- If the discount rate used in the value in use calculations to determine the recoverable amount was to increase by 0.2%, this would eliminate all the headroom in the value in use calculation.
- If direct wafer product margins for all products used in the value in use calculations to determine the recoverable amount were reduced by 1.0%, the magnitude of the adverse impact on the recoverable amount of Wireless CGU non-current assets would be £5,651,000.
- If direct wafer product margins for all products used in the value in use calculations to determine the recoverable amount were reduced by 0.2%, this would eliminate all the headroom in the value in use calculation.

5. MATERIAL ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2024. A number of new standards are effective from 1 January 2025 but they do not have a material effect on the Group's financial statements.

Recent accounting developments and the policy for recognising and measuring income taxes in the interim period are described below.

5.1 Recent accounting developments

In preparing the interim financial statements, the Group has adopted the following Standards, amendments and interpretations, which are effective for 2025 and will be adopted in the financial statements for the year ended 31 December 2025:

- Amendment to IAS 21 'The Effects of Changes in Foreign Exchange Rates' which establishes how a spot exchange rate is estimated when a currency lacks exchangeability.

The adoption of these standards and amendments has not had a material impact on the interim financial statements.

5.2 Income tax expense

Income tax expense is recognised at an amount determined by multiplying the loss before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

6. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group are set out in the Strategic Report in the 2024 Annual report and financial statements, with the addition of the risk relating to ageing assets, the increase in risk associated with capital and liquidity and business environment arising from the Group's financial position and ongoing strategic review. The principal risks and uncertainties include:

- Health, safety, security and environment as the Group operates several manufacturing sites which utilise potentially harmful gases, materials and equipment
- Capital and liquidity as the Group's financial strength has been severely impacted by the prolonged semiconductor industry-wide downturn, inventory correction cycle across key sectors, broader macroeconomic factors and the delayed market adoption of new technologies, in addition to uncertainty arising from the Group's financial position and ongoing strategic review
- Climate change and the long-term climate-related risks to the Group's people, operations and financial performance
- Loss of key people as the Group's people are fundamental to its future success and the Group operates in a highly competitive industry for talent. Cost optimisation initiatives in recent years have resulted in a lean workforce with some areas particularly stretched
- International trade compliance as the Group operates across multiple jurisdictions in a highly regulated industry impacted by extra jurisdictional controls on products, software and technology
- Intellectual property as the semiconductor industry is highly competitive with competing intellectual property rights in the major jurisdictions
- Information technology and cyber security as the Group primarily functions using its information technology systems
- Business environment and demand from the Group's current and future customer bases which may be reduced if there is a contraction in investment, changes in expected customer demand, disruption due to the geopolitical environment and/or the imposition of import tariffs or other barriers to free trade, and in addition uncertainty arising from the Group's financial position and ongoing strategic review
- Supply of raw materials as geopolitical tensions have resulted in a specific risk related to the supply of critical compound semiconductor raw materials such as Gallium, Antimony and Germanium, where current supply chain routes are reliant on exports from China
- Risks relating to the Group's aged equipment and site infrastructure, including single points of failure

7. SEGMENTAL INFORMATION

	6 Months to 30 June 2025 Unaudited £'000	6 Months to 30 June 2024 Unaudited £'000	12 Months to 31 Dec 2024 Audited £'000
Revenue			
Wireless	18,596	38,779	67,295
Photonics	26,593	26,765	49,876
CMOS++	65	474	863
Revenue	45,254	66,018	118,034
Adjusted EBITDA			
Wireless	2,319	9,931	16,205
Photonics	3,572	4,359	5,840
CMOS++	(96)	(891)	(1,517)
Central corporate costs	(6,179)	(6,792)	(12,416)
Adjusted EBITDA	(384)	6,607	8,112
Depreciation	(10,072)	(10,619)	(20,343)
Amortisation	(2,492)	(3,546)	(6,390)
Gain on remeasurement	-	296	202
Profit on disposal of PPE	-	55	62
Adjusted operating loss	(12,948)	(7,207)	(18,357)
Wireless	(1,926)	4,981	6,520
Photonics	(4,325)	(4,338)	(10,568)
CMOS++	(168)	(964)	(1,663)
Central corporate costs	(6,529)	(6,886)	(12,646)
Adjusted items			
Wireless	(612)	(986)	(7,441)
Photonics	(8,431)	(3,157)	(5,974)
CMOS++	(714)	(79)	(669)
Central corporate costs	(748)	(709)	(517)
Operating loss	(23,453)	(12,138)	(32,958)
Wireless	(2,538)	3,995	(921)
Photonics	(12,756)	(7,495)	(16,542)
CMOS++	(882)	(1,043)	(2,332)
Central corporate costs	(7,277)	(7,595)	(13,163)
Finance income	117	-	-
Finance costs	(3,163)	(1,765)	(3,947)
Loss before tax	(26,499)	(13,903)	(36,905)

8. ADJUSTED PERFORMANCE MEASURES

The Group's results report certain financial measures after a number of adjusted items that are not defined or recognised under IFRS including, adjusted earnings before interest, tax, depreciation and amortisation, adjusted operating loss, adjusted loss before income tax and adjusted losses per share. The Directors believe that the adjusted performance measures provide a useful comparison of business trends and performance and allow management and other stakeholders to better compare the performance of the Group between the current and prior year, excluding the effects of certain non-cash charges, non-operational items and significant infrequent items that would distort period on period comparability. The Group uses these adjusted performance measures for internal planning, budgeting, reporting and assessment of the performance of the business. The tables below show the adjustments made to arrive at the adjusted performance measures and the impact on the Group's reported financial performance.

£'000s	6 months to 30 Jun 2025			6 months to 30 Jun 2024			2024		
	Adjusted Results	Adjusted Items	Reported Results	Adjusted Results	Adjusted Items	Reported Results	Adjusted Results	Adjusted Items	Reported Results
Revenue	45,254	-	45,254	66,018	-	66,018	118,034	-	118,034
Cost of sales	(44,292)	(431)	(44,723)	(60,316)	(710)	(61,026)	(112,543)	(1,045)	(113,588)
Gross profit/(loss)	962	(431)	531	5,702	(710)	4,992	5,491	(1,045)	4,446
SG&A	(13,845)	(2,460)	(16,305)	(13,229)	(2,982)	(16,211)	(24,109)	(5,873)	(29,982)
Impairment of intangibles	-	(6,968)	(6,968)	-	-	-	-	(3,772)	(3,772)
Impairment of PPE	-	(401)	(401)	-	(90)	(90)	-	(4,615)	(4,615)
Impairment of right-of-use assets	-	(245)	(245)	-	-	-	-	(31)	(31)
Impairment (loss)/reversal of receivables	(65)	-	(65)	(31)	-	(31)	(3)	-	(3)
Profit/(loss) on disposal of PPE	-	-	-	55	(1,149)	(1,094)	62	735	797
Gain on remeasurement of right of use asset	-	-	-	296	-	296	202	-	202
EBITDA	(384)	(2,891)	(3,275)	6,607	(3,692)	2,915	8,112	(6,918)	1,194
Depreciation	(10,072)	-	(10,072)	(10,587)	-	(10,587)	(20,343)	-	(20,343)
Amortisation	(2,492)	-	(2,492)	(3,546)	-	(3,546)	(6,390)	-	(6,390)
Impairment of intangibles	-	(6,968)	(6,968)	-	-	-	-	(3,772)	(3,772)
Impairment of PPE	-	(401)	(401)	-	(90)	(90)	-	(4,615)	(4,615)
Impairment of right-of-use asset	-	(245)	(245)	(32)	-	(32)	-	(31)	(31)
Gain on remeasurement of right-of-use asset	-	-	-	296	-	296	202	-	202
Profit on disposal of PPE	-	-	-	55	(1,149)	(1,094)	62	735	797
Operating loss	(12,948)	(10,505)	(23,453)	(7,207)	(4,931)	(12,138)	(18,357)	(14,601)	(32,958)
Finance income	117	-	117	-	-	-	-	-	-
Finance costs	(3,163)	-	(3,163)	(1,765)	-	(1,765)	(3,947)	-	(3,947)
Loss before tax	(15,994)	(10,505)	(26,499)	(8,972)	(4,931)	(13,903)	(22,304)	(14,601)	(36,905)
Taxation	462	-	462	(1,168)	-	(1,168)	(1,430)	157	(1,273)
Loss for the period	(15,532)	(10,505)	(26,037)	(10,140)	(4,931)	(15,071)	(23,734)	(14,444)	(38,178)
Loss per share									
Basic loss per share	(1.60p)	(1.09p)	(2.69p)	(1.05p)	(0.52p)	(1.57p)	(2.46p)	(1.50p)	(3.96p)
Diluted loss per share	(1.60p)	(1.09p)	(2.69p)	(1.05p)	(0.52p)	(1.57p)	(2.46p)	(1.50p)	(3.96p)

6 months to 30 June 2025 £'000s	Cost of sales	SG&A	Impairment	Profit on disposal	Pre-tax Items	Tax impact	Adjusted items
Share based payments	431	914	-	-	1,345	-	1,345
Share based payments – CFO recruitment	-	36	-	-	36	-	36
CEO severance	-	8	-	-	8	-	8
Photonics CGU impairment	-	-	7,614	-	7,614	-	7,614
Restructuring	-	1,502	-	-	1,502	-	1,502
Total	431	2,460	7,614	-	10,505	-	10,505

6 months to 30 June 2024 £'000s	Cost of sales	SG&A	Impairment	Profit on disposal	Pre-tax Items	Tax impact	Adjusted items
Share based payments	710	1,419	-	-	2,129	-	2,129
Share based payments – CEO recruitment	-	38	-	-	38	-	38
Share based payments – CFO recruitment	-	67	-	-	67	-	67
CEO recruitment	-	153	-	-	153	-	153
Restructuring	-	1,305	90	1,149	2,544	-	2,544
Total	710	2,982	90	1,149	4,931	-	4,931

2024 Reported £'000s	Cost of sales	SG&A	Impairment	Profit on disposal	Pre-tax Items	Tax impact	Adjusted items
Share based payments	1,045	1,929	-	-	2,974	(157)	2,817
Share based payments – CEO recruitment	-	77	-	-	77	-	77
Share based payments – CFO recruitment	-	123	-	-	123	-	123
CEO recruitment	-	307	-	-	307	-	307
CEO severance	-	416	-	-	416	-	416
Wireless CGU impairment	-	-	3,066	-	3,066	-	3,066
Restructuring	-	3,021	5,352	(735)	7,638	-	7,638
Total	1,045	5,873	8,418	(735)	14,601	(157)	14,444

The nature of the adjusted items is as follows:

Share based payments

The £1,345,000 (H1 2024: £2,129,000, 2024: 2,974,000) charge relates to share-based payments recorded in accordance with IFRS 2 'Share based payment'. Share based payments which arise each financial year are classified as an APM due to the non-cash charge being partially outside of the Group's control as it is based on factors such as share price volatility and interest rates which may be unrelated to the performance of the Group during the period in which the expense occurred.

Chief Executive Officer recruitment

The charge of £nil relates to the share-based payment charge (H1 2024: £38,000, 2024: £77,000) and cash element (H1 2024: £153,000, 2024: £307,000) of the new starter award granted to the former CEO upon recruitment.

Chief Executive Officer Severance

The charge of £8,000 (H1 2024: £nil, 2024: £416,000) relates to costs, primarily related to payments in lieu of notice, associated with the termination of the former CEO's employment.

Chief Financial Officer recruitment

The charge of £36,000 (H1 2024: £67,000, 2024: £123,000) relates to the share-based payment charge for new starter awards granted to the CFO.

Photonics CGU impairment

An impairment was identified in the period relating to the Photonics CGU determined based on value in use calculations. The non-cash impairment loss of £7,614,000 relates to the Group's predominately UK related photonics assets and has been allocated to goodwill and the relevant UK based intangible and tangible assets which has resulted in a non-cash intangible impairment charge of £6,968,000 (including £6,845,000 relating to goodwill), non-cash property, plant and equipment impairment charge of £401,000 and a non-cash right of use asset impairment of £245,000.

Restructuring

The charge of £1,502,000 (H1 2024: £2,544,000, 2024: £7,638,000) relates to the consolidation of the Group's US, UK and Asian manufacturing operations and the restructuring of the Group's Executive Leadership Team.

Group Restructuring

- Group restructuring charges of £249,000 (H1 2024 £nil, 2024: £266,000) consist of employee related costs related to the restructuring of the Group's Executive Leadership Team following the departure of the former CEO.

US Restructuring

- US net restructuring charges of £nil (H1 2024: £2,496,000, 2024: £763,000) relating to the closure of the Group's manufacturing facility in Pennsylvania. As at 30 June 2025, net cumulative restructuring charges of £6,164,000 (H1 2024: £7,842,000, 2024: £6,164,000) have been incurred. No further restructuring charges associated with the closure of the site are expected in 2025.
- US restructuring charges of £33,000 (H1 2024: £nil, 2024: £4,889,000) relating to the strategic re-positioning of the Group's Massachusetts and North Carolina manufacturing sites consist of non-cash property, plant and equipment asset impairments of £nil (H1 2024: £nil, 2024: £2,002,000), non-cash intangible development cost impairments of £nil (H1 2024: £nil, 2024: £2,887,000) and reactor decommissioning costs of £33,000 (H1 2024: £nil, 2024: £nil).

UK restructuring

- UK restructuring charges of £715,000 (H1 2024: £67,000, 2024: £1,584,000) relating to the consolidation of the Group's South Wales activities into its Newport manufacturing site consist of employee related costs of £91,000 (H1 2024: £88,000, 2024: £447,000), site decommissioning costs of £624,000 (H1 2024: £nil, 2024: £897,000), non-cash property, plant and equipment asset impairments of £nil (H1 2024: £nil, 2024: £343,000) and profit on disposal of PPE of £nil (H1 2024: £21,000, 2024: £103,000).

Asian Restructuring

- Taiwanese restructuring charges of £505,000 (H1 2024: £nil, 2024: £155,000) consist of legal and professional fees of £316,000 (H1 2024: £nil, 2024: £155,000) relating to the dual track IPO or sale of the Group's Taiwanese manufacturing operations and employee related costs of £189,000 (H1 2024: £nil, 2024: £nil) in relation to the restructuring of the Taiwanese leadership team.
- Singapore restructuring credit of £nil (H1 2024: £19,000, 2024: £19,000) relates to certain final cash receipts linked to the voluntary liquidation of the Group's Singapore subsidiaries, where manufacturing operations ceased in June 2022.

The cash impact of adjusting items is set out below:

£'000s	6 months to 30 Jun 2025			6 months to 30 Jun 2024			12 months to 31 Dec 2024		
	Cash from operations	Investing activities	Total	Cash from operations	Investing activities	Total	Cash from operations	Investing activities	Total
Reported cash flows	3,608	(2,682)	926	(2,632)	(6,466)	(9,098)	1,282	(10,194)	(8,912)
Share-based payments – social security	80	-	80	117	-	117	123	-	123
CEO severance	534	-	534	-	-	-	196	-	196
Onerous contract	240	-	240	394	-	394	394	-	394
Restructuring	1,728	-	1,728	3,910	(851)	3,059	4,092	(4,828)	(736)
Total adjusted items	2,582	-	2,582	4,421	(851)	3,570	4,805	(4,828)	(23)
Adjusted cash flows	6,190	(2,682)	3,508	1,789	(7,317)	(5,528)	6,087	(15,022)	(8,935)

Onerous contract

Onerous contract cash flows reflect royalty payments relating to the Group's cREO™ technology where development activity ceased in prior periods totals £240,000 (H1 2024: £394,000, 2024: £394,000).

Restructuring

Cash defrayed in the period from the restructuring of the Group's Executive Leadership Team and the consolidation of the Group's US, UK and Asian manufacturing operations totalled £1,728,000 (H1 2024: 3,059,000, 2024: £736,000 cash generated)

Group Restructuring

- Cash costs defrayed of £451,000 (H1 2024: £nil, 2024: £64,000) consist of employee-related costs related to the restructuring of the Group's Executive Leadership Team following the departure of the former CEO.

US Restructuring

- Cash costs of £57,000 (H1 2024: £3,841,000, 2024: £2,820,000) relating to the closure of the Group's manufacturing facility in Pennsylvania total £6,903,000. Cash proceeds on disposal of the Pennsylvania site included in investing activities totals £nil (H1 2024: £nil, 2024: £4,061,000) in the period.

UK Restructuring

- Cash costs relating to the consolidation of the Group's South Wales activities into its Newport manufacturing site total £715,000 (H1 2024: £88,000, 2024: £1,072,000). Cash proceeds on disposal of property, plant and equipment is included in investing activities and totals £nil (H1 2024: £851,000, 2024: £767,000) in the year.

Asian Restructuring

- Cash costs relating to the dual track IPO or sale of the Group's Taiwanese manufacturing operations total £505,000 (H1 2024: £nil, 2024: £155,000)
- Final cash receipts linked to the voluntary liquidation of the Group's Singapore subsidiaries, where manufacturing operations ceased in June 2022 total £nil (H1 2024: £19,000, 2024: £19,000).

• Adjustments to net debt

(All figures £'000s)	6 months to 30 June 2025 Unaudited	6 months to 30 June 2024 Unaudited	12 months to 31 Dec 2024 Audited
Net debt (note 12)	(69,835)	(68,801)	(69,330)
Lease liabilities due after one year	41,756	44,493	44,872
Lease liabilities due within one year	4,541	7,329	5,658
Adjusted net debt	(23,538)	(16,979)	(18,800)

9. TAXATION

The Group's consolidated effective tax rate for the six months ended 30 June 2025 was (1.7%) (H1 2024: 8.4%, 2024: 3.4%). The effective tax rate differs from the theoretical amount that would arise from applying the standard corporation tax in the UK of 25.0% (H1 2024: 25.0%, 2024: 25.0%) principally due to non-recognition of current year tax losses in the UK and USA.

10. LOSS PER SHARE

(All figures £'000s)	6 months to 30 June 2025 Unaudited	6 months to 30 June 2024 Unaudited	12 months to 31 Dec 2024 Audited
Loss attributable to ordinary shareholders	(26,037)	(15,071)	(38,178)
Adjustments to loss after tax (note 8)	10,505	4,931	14,444
Adjusted loss attributable to ordinary shareholders	(15,532)	(10,140)	(23,734)
Number of shares:			
Weighted average number of ordinary shares	968,682,360	961,679,720	964,315,248
Potentially dilutive share options	9,961,212	8,031,368	14,291,760
Potentially dilutive convertible instruments	85,490,196	-	-
	1,064,133,769	969,711,088	978,607,008
Basic loss per share	(2.69p)	(1.57p)	(2.46p)
Adjusted loss per share	(1.60p)	(1.05p)	(3.96p)
Diluted loss per share	(2.69p)	(1.57p)	(2.46p)
Adjusted diluted loss per share	(1.60p)	(1.05p)	(3.96p)

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares during the period.

Diluted loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of shares, convertible instruments and 'in the money' share options in issue. Share options are classified as 'in the money' if their exercise price is lower than the average share price for the period. As required by IAS 33, this calculation assumes that the proceeds receivable from the exercise of 'in the money' options would be used to purchase shares in the open market to reduce the number of new shares that would need to be issued. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

11. CASH GENERATED FROM OPERATIONS

(All figures £'000s)	6 months to 30 June 2025 Unaudited	6 months to 30 June 2024 Unaudited	12 months to 31 Dec 2024 Audited
Loss before tax	(26,499)	(13,903)	(36,905)
Finance income	(117)	-	-
Finance costs	3,163	1,765	3,947
Depreciation of property, plant and equipment	8,223	8,796	16,552
Impairment of property, plant and equipment	401	90	4,615
Depreciation of right of use assets	1,849	1,791	3,791
Impairment of right of use assets	245	32	31
Amortisation of intangible assets	2,492	3,546	6,390
Impairment of intangible assets	6,968	-	3,772
Inventory provision write downs	174	469	391
Non-cash movement on trade receivable expected credit losses	65	31	3
Non-cash provision movements	702	143	288
Loss/(profit) on disposal of property, plant and equipment	-	1,094	(797)
Gain on remeasurement of right of use asset	-	(296)	(202)
Share based payments	1,381	2,234	3,174
Cash (outflow)/inflow from operations before changes in working capital	(953)	5,792	5,050
(Increase)/decrease in inventories	(201)	(1,345)	3,677
Decrease/(increase) in trade and other receivables	6,531	(9,315)	(608)
(Decrease)/increase in trade and other payables	(994)	4,566	(3,938)
Decrease in provisions	(775)	(2,330)	(2,899)
Cash inflow/(outflow) from operations	3,608	(2,632)	1,282

12. ANALYSIS OF NET DEBT

(All figures £'000s)	6 months to 30 June 2025 Unaudited	6 months to 30 June 2024 Unaudited	12 months to 31 Dec 2024 Audited
Bank borrowings due after one year	(22,285)	(23,220)	(23,460)
Bank borrowings due within one year	-	(1,569)	-
Convertible loan notes due within one year	(18,243)	-	-
Lease liabilities due after one year	(41,756)	(44,493)	(44,872)
Lease liabilities due within one year	(4,541)	(7,329)	(5,658)
Total borrowings	(86,825)	(76,611)	(73,990)
Cash and cash equivalents	16,990	7,810	4,660
Net debt	(69,835)	(68,801)	(69,330)

On 17 May 2023, the Company refinanced its £25,200,000 (\$35,000,000) multi-currency revolving credit facility, provided by HSBC Bank plc. The refinancing was treated as a debt modification. The facility is secured on the assets of IQE plc and its subsidiary companies with a committed term to 1 September 2026. Interest on the facility is payable at a margin of between 2.50 and 3.50% per annum over SONIA on any drawn balances and the facility was subject to quarterly leverage and interest cover covenant tests up until 10 March 2025 when the Group negotiated a Deed of Amendment and Restatement to the facility which replaced the leverage and interest cover financial covenants with minimum adjusted EBITDA and minimum liquidity covenants. The facility was £22,372,000 (H1 2024: £23,220,000, 2024: £23,600,000) utilised at 30 June 2025.

In the prior year, the Group obtained a formal waiver of its 31 December 2024 covenant tests from HSBC Bank plc and the Group has complied with all the financial covenants of its borrowing facilities during 2025 and 2024. In the post balance sheet period, the Group obtained a formal waiver of its minimum EBITDA covenant test at 30 September 2025.

Cash and cash equivalents comprise balances held in instant access bank accounts and other short-term deposits with a maturity of less than 3 months.

Convertible loan notes

On 13 March 2025, the Group issued £21,200,000 of convertible loan notes at a discount of 15% with a maturity of one year. Gross subscriptions monies received totalled £18,000,000. The Group has the option to extend this maturity date by an additional 6 months by written notice. The notes are convertible into ordinary shares of IQE Plc at the option of the holder at any time before maturity at a conversion price of 15p per share. If not converted, the notes will be redeemed at par on maturity. If the Group exercises its option to extend the maturity period by six months, the notes will be redeemed at par plus a redemption premium of 9% on maturity.

The instrument has been assessed under IAS 32 and contains both a liability and equity component. On initial recognition, the fair value of the liability component was measured using a market interest rate for an equivalent instrument without a conversion feature. The residual value totalling £206,000 was allocated to equity.

The liability component is subsequently measured at amortised cost using the effective interest method.

13. SHARE BASED PAYMENT ARRANGEMENTS

Long term incentive awards

On 26 May 2000, as amended by shareholders at the Annual General Meeting on 17 May 2002, The Group established a share option plan that entitles the Group's Remuneration Committee to grant long term incentive awards over shares in the company to directors and employees of the Group.

On 31 May 2025 and 8 June 2025, long term incentive awards that are subject to continued employment and/or achievement of performance conditions were awarded to directors and employees of the Group. Performance conditions associated with the awards include a combination of adjusted EBITDA margin targets and the achievement of strategic objectives. Under the terms of these awards, holders of vested options are entitled to purchase shares at the nominal value of the shares at the date of grant. All options are to be settled by physical delivery of shares. All options are to be settled by physical delivery of shares. The terms and conditions of the share options granted during the six months ended 30 June 2025 are as follows:

Grant date/employees entitled	Number of instruments	Contractual life of options	Vesting conditions
Option grant to Executive Chair on 8 June 2025	166,667	N/A	Immediately vested options subject to a three-year holding period from the grant date.
Option grant to CEO on 8 June 2025	5,666,667	10 years	Subject to a three-year performance period to 31 December 2027 and a two-year holding period following vesting. Vesting of 75% of the Options will be determined by threshold and stretch targets for the Company's Adjusted EBITDA Margin in the financial years ending 31 December 2026 and 31 December 2027, and vesting of 25% of the Options will be determined by certain non-financial and strategic measures.
Option grant to employees on 31 May 2025	25,315,501	10 years	1-3 years of service from grant date and also certain strategic measures for members of the Executive Leadership Team.

Measurement of grant date fair values

The fair value of the long-term incentive awards, calculated as £3.1m (H1 2024: £nil, 2024: £3.3m) at the grant date has been determined using the Black Scholes model. The following inputs were used in the measurement of the fair values at grant date.

Principal assumptions	2025	2024
Weighted average share price at grant date	16.80	27.34
Weighted average exercise price	1.57	1.76
Weighted average vesting period (years)	2	2
Option life (years)	10	10
Weighted average expected life (years)	2	2
Weighted average expected volatility factor	66%	66%
Weighted average risk-free rate	4.0%	3.8%
Dividend yield	0%	0%

The expected volatility factor is based on historical share price volatility over the three years immediately preceding the grant of the option. The expected life is the average expected period to exercise. The risk-free rate of return is the yield of zero-coupon UK government bonds of a term consistent with the assumed option life.

Non-market performance conditions are incorporated into the calculation of fair value by estimating the proportion of share options that will vest and be exercised based on a combination of historical trends and future expected trading performance. These are reassessed at the end of each period for each tranche of unvested options.

14. SHARE CAPITAL

Number of shares	6 months to 30 June 2025 Unaudited	6 months to 30 June 2024 Unaudited	12 months to 31 Dec 2024 Audited
As at 1 January	967,251,117	961,518,692	961,518,692
Employee share schemes	9,279,407	5,114,245	5,732,425
As at 30 June / 31 December	976,530,524	966,632,937	967,251,117

(All figures £'000s)	6 months to 30 June 2025 Unaudited	6 months to 30 June 2024 Unaudited	12 months to 31 Dec 2024 Audited
As at 1 January	9,672	9,615	9,615
Employee share schemes	93	51	57
As at 30 June / 31 December	9,765	9,666	9,672

15. COMMITMENTS

The Group had capital commitments at 30 June 2025 of £84,000 (H1 2024: £452,000, 2024: £162,000).

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Jutta Meier

Chief Executive Officer / Chief Financial Officer,
IQE plc.

22 September 2025