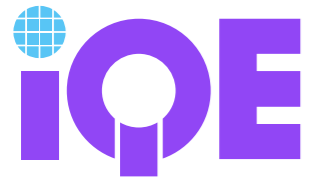


Annual Report and Accounts 2025



As the world's leading compound semiconductor and material solutions provider, IQE is powering innovation at scale.

Our vision

Enabling a brighter future through the power of advanced semiconductors.

Our mission

Our products are fundamental in the technologies we use in our everyday life. As leaders in semiconductor materials innovation, we are committed to responsibly powering the next generation of technology to drive society towards a sustainable, Net Zero future. We are enabling a global technology revolution to create a connected, safe and inclusive world.

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Financial highlights

Revenue

£97m

2024: £118m

Net operating loss

£(30)m

2024: £(33)m

Adjusted EBITDA

£3m

2024: £8m

Adjusted net debt

£(31)m

2024: £(19)m

Cash capital expenditure

£5m

2024: £11m

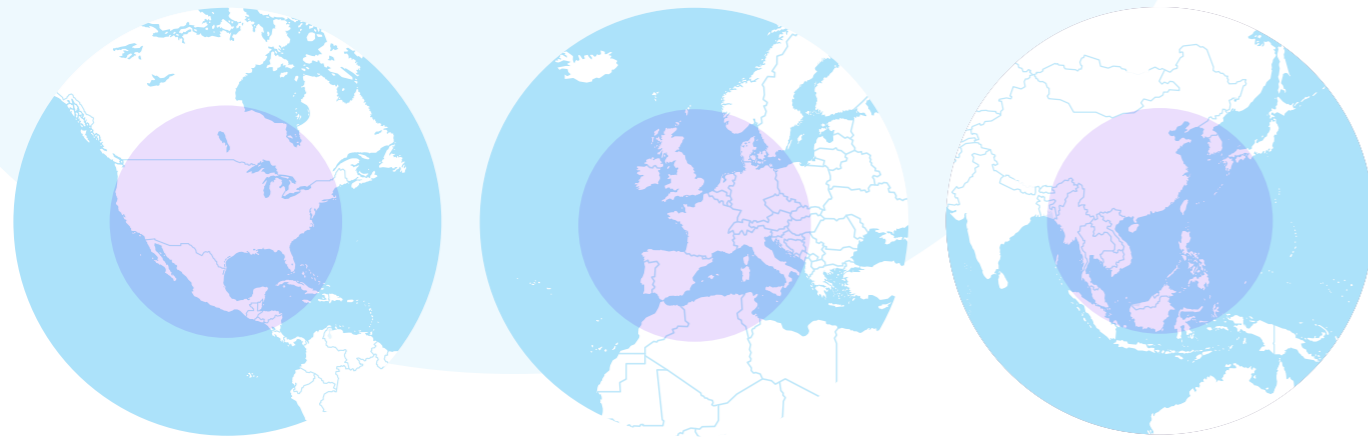
The nature and description of alternative performance measures are included in Note 5 on page 120. Adjusted net debt is defined on page 96.

Strategic Report



At a glance

Our global footprint



North America

- USA – Washington
- USA – Massachusetts
- USA – North Carolina

Europe

- UK – Newport
- UK – Cardiff
- UK – Milton Keynes

Asia

- Taiwan – Hsinchu

Number of employees as at 31 December 2025

460

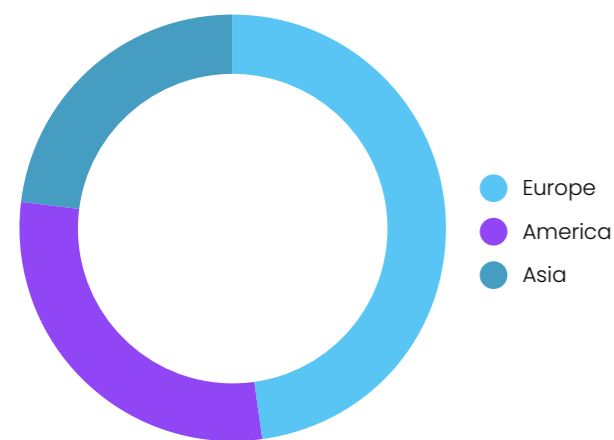
We are proud of our diverse workforce across three continents.

Countries of operation

3

Unique global footprint for flexibility, scalability and supply security

Employees by location



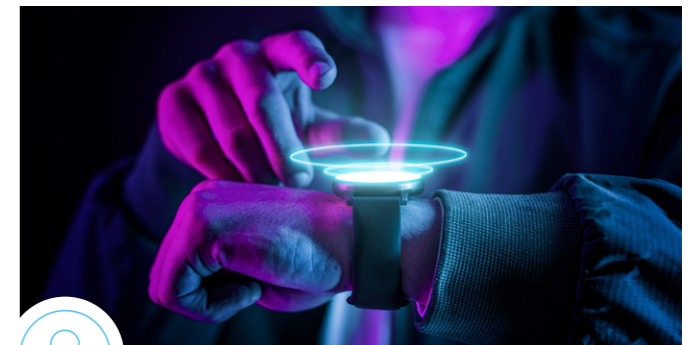
Our growth potential

+ Read more about our strategy for growth on page 20.



Connect

IQE's connect portfolio delivers high-performance wireless connectivity, enabling real-time data exchange, automation, improved efficiency and enhanced user experiences across a range of applications. Communications infrastructure, smartphones, data centres and automotive markets all require faster data transmission and lower latency, forming the foundation of the broader Internet of Things (IoT) ecosystem.



Sense

Advanced sensing remains a key strategic pillar for IQE, enabling intelligent systems to perceive, measure and respond to the physical world with greater precision and efficiency. IQE leverages its long history in sensing technologies to enable applications for mobile handsets, automotive safety systems, industrial automation and consumer wearables. Artificial intelligence and machine learning provide further opportunities for market expansion.



Power

The market for power electronics remains a key focus for IQE, driven by data centre expansion, electric vehicle deployment and renewable energy adoption. IQE's expansion of Gallium Nitride (GaN) capacity positions the Company to serve the growing power market and address the need for more efficient technologies to support sustainability and efficiency in these critical markets.



Display

The evolution of the display market is being driven by consumer demand for higher resolution, improved power efficiency and visually immersive experiences. MicroLED displays are ideal for consumer electronics, smartphone, automotive and industrial applications. Through collaboration with key strategic partners, IQE is advancing microLED technologies to deliver enhanced display experiences.

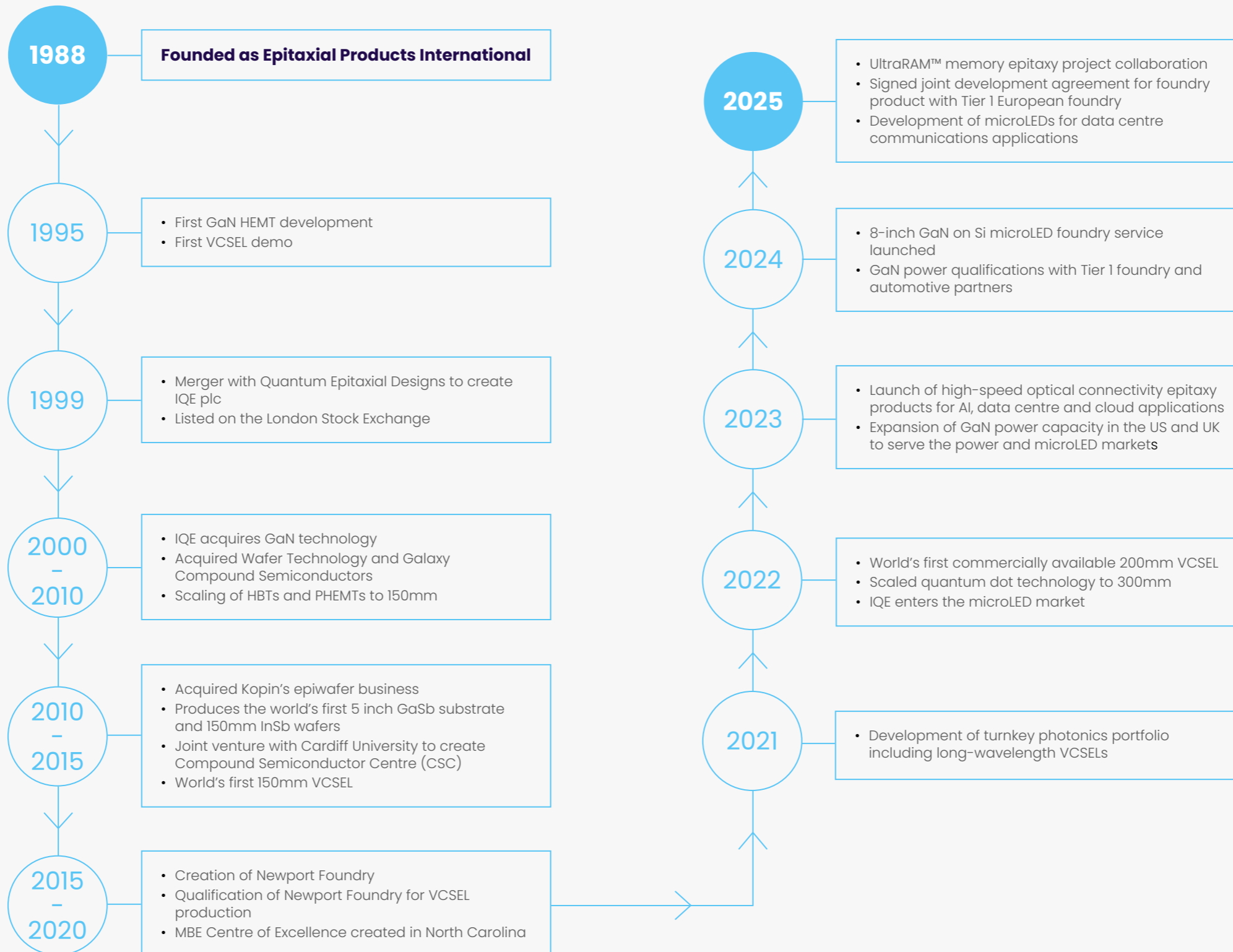
A timeline of excellence

A heritage of expertise

For more than 35 years, IQE has played a foundational role in the development of compound semiconductor technology.

As an industry pioneer, IQE's world-leading technology portfolio has been shaped by an ongoing culture of innovation and collaboration. Today we are trusted, long-term partners with global technology leaders in a myriad of sectors.

In a rapidly evolving market, our history is a reminder that experience cannot be replicated and is instead built through decades of real-world execution.



Rodney Pelzel
Chief Technology Officer & Chief Operating Officer

Looking back over IQE's history, what stands out most is not just our longevity but our commitment to purpose. For more than three decades we have pushed the boundaries of compound semiconductor materials innovation to deliver transformative electronic and photonic technologies.

Having been with IQE since 2000, I am privileged to have witnessed such a large part of the Company's journey. IQE's early investment into compound semiconductor technology and its ability to translate deep technical expertise into scalable, mass market production has been key. Each milestone marks a step forward in capability; the mastery of new material systems, the launch of cutting-edge products and the introduction of larger wafer diameters – all notable highlights.

Importantly, these advances did not happen in isolation. They are a result of a sustained investment in technology, infrastructure and people, and of lessons learned through decades of real-world manufacturing.

I am proud that our history continues to unfold as we build upon everything that has come before. We are positioning the Company to meet the challenges and opportunities of the years ahead – once again transforming innovation at scale.



Laying the foundations for strong and sustainable growth

“The conclusion of the Strategic Review is a transformational milestone for IQE, strengthening the Company’s balance sheet and positioning us for a stronger future.”

Jutta Meier
Chief Executive Officer and Chief Financial Officer

I am pleased to present IQE’s Annual Report for 2025. It was a defining year for the business, and what we achieved in the period and shortly thereafter has been pivotal in setting up IQE to achieve sustainable growth and capitalise on the significant opportunities ahead of us.

I was privileged to be appointed IQE’s permanent CEO in May 2025, having served in the interim role, alongside my other role as CFO, since October 2024. Working closely with Mark Cubitt as acting Executive Chair, we remained firmly focused throughout the year on stabilising the business, completing the Strategic Review and positioning IQE for long-term success in our core markets.

In May 2026, we announced the completion of a strategic investment of £81m from MACOM Technology Solutions Inc. (MACOM) and other existing shareholders. I am confident that this is a transformational milestone for IQE, strengthening the Company’s balance sheet and providing a strong platform for future growth.

Financial performance

We began 2025 having previously announced that, with a consortium of existing investors, we were entering into convertible loan note financing to strengthen IQE’s short-term liquidity position. This process, led by IQE’s largest shareholder Lombard Odier, raised gross subscription proceeds of £18 million and was finalised in March 2025.

Against this backdrop, IQE experienced challenging trading conditions during the first half of the year. Revenues were impacted by lower customer demand and reduced order volumes, primarily reflecting continued softness in mobile handset markets and elevated inventory levels across customer supply chains amid the ongoing industry downturn.

However, performance improved during the second half of 2025, particularly in the final quarter of the year. Delays in aerospace and defence markets were resolved following faster-than-expected funding releases across certain US military and defence programmes. This resulted in some revenues, which we had previously expected to come in 2026, being recognised during the 2025 year.

The stronger trading momentum seen in the second half of 2025 was also supported by robust demand for our Photonics products, particularly those linked to AI and data centre applications, alongside improving demand across mobile handset-related wireless markets.

Operational performance

IQE achieved a number of important technology and commercial milestones in 2025.

In January 2025, we announced a partnership with Quintessent Inc. focused on Quantum Dots for AI photonics products. The collaboration aims to establish the world’s first large-scale quantum dot laser (QDL) and

semiconductor optical amplifier epitaxial wafer supply chain. Having worked together for more than a decade to transition QDL technology from research to large-scale production, this partnership demonstrates IQE’s proven ability to scale innovative semiconductor solutions.

In March 2025, we detailed new infrared (IR) sensing customer commitments valued at \$5.8m, representing the largest purchase orders that IQE has received to date from two key customers. This underscores the strength of IQE’s product portfolio and growing demand within the IR sensing market.

This was followed in April 2025 by signing a joint development agreement with X-FAB Silicon Foundries SE for the development of a market-ready GaN Power platform. Combining IQE’s GaN epitaxy design and process expertise with X-FAB’s proven device fabrication capabilities, the partnership aims to deliver a leading-edge, off-the-shelf 650V GaN platform for automotive, data centre and consumer applications.

Later in June 2025, we announced the completion of an ULTRARAM™ industrialisation project with Quinas Technology for the development of a scalable production method for the world’s first quantum-powered universal memory. As an Innovate UK-funded joint project, ULTRARAM’s™ target applications will include artificial intelligence, quantum computing, space and defence.

Finally, in December 2025, we were pleased to announce a multi-year extension of our longstanding supply agreement with Lumentum Holdings Inc., for the supply of epiwafers supporting advanced sensing technologies. IQE’s VCSEL expertise continues to support the advancement of 3D Sensing technologies across Lumentum’s broad photonics product portfolio, including supporting consumer, automotive LiDAR and in-cabin sensing applications.

ESG performance

A significant ESG milestone for IQE was the approval of our emission reduction targets in alignment with the Science-Based Targets initiative (SBTi), which was reported in January 2025. Three years earlier we committed to achieving Net Zero across our operations by 2050 through participation in the SBTi framework.

As part of this process, IQE developed science-based targets to reduce greenhouse gas emissions in line with the SBTi Net Zero Standard, which aims to limit global warming to 1.5°C.

As 2025 was our first year since receiving approval for our SBTi targets, this resulted in a more comprehensive emissions inventory being undertaken, leading to an increase in our reported emissions figures for both 2024 and 2025, as well as our 2021 baseline year.

Nonetheless, I am proud of the rigorous and transparent approach IQE has taken to attain the most ambitious designation available through the SBTi framework, reflecting the importance of achieving rapid and deep global greenhouse emissions cuts.

Revenue

£97m

2024: £118m

Operating loss

£(30)m

2024: £(33)m

Adjusted EBITDA

£3m

2024: £8m

Positioning for growth

IQE entered 2026 with a strong order book, reflecting improved demand visibility across core segments including consumer mobile, data centre and AI-related photonics markets. This has also been supported by the signing of long-term agreements with key customers such as MACOM and Lumentum, which aid stability and security for the Company.

Now with the Strategic Review concluded, we are positioning IQE to capitalise on growing demand for compound semiconductor products driven by key market trends, and focusing on achieving scalable and sustainable growth.

I am excited about the opportunities ahead for IQE, and confident the steps we have taken to strengthen our balance sheet have created a solid foundation for the Company. Working closely with our employees, customers and other stakeholders, I am confident we will unlock the potential of our world-leading compound semiconductor technologies together.

Jutta Meier
Chief Executive Officer and Chief Financial Officer

28 May 2026



Realising the value of IQE

“The conclusion of the Strategic Review is an incredible result for IQE and its stakeholders, as it recognises the intrinsic value of the Group and maintains our unique global footprint and technology IP.”

Mark Cubitt
Chair

Strategic Review

Much of my focus as Executive Chair in 2025 was on progressing IQE’s Strategic Review. The process was initiated in November 2024, and was undertaken against the backdrop of much transformation within the semiconductor sector and the global macroeconomic environment.

The aim of the Review was to ensure IQE has a strong capital position from which to fund investment into core operations. The Board undertook a comprehensive process in order to find the best outcome for all stakeholders, enabling the Board to evaluate IQE’s core strengths, sharpen our focus and re-position the business to capture the most compelling opportunities in our key markets.

I am proud to say that in April 2026, after the 2025 reporting period, we announced the conclusion of the Strategic Review following a strategic investment from MACOM, a longstanding customer of IQE, and other existing shareholders.

This agreement, has resulted in £81m of investment into IQE through a mixture of new equity, new zero-coupon convertible loan notes and the redemption and reinvestment of the Company’s existing convertible loan notes into new equity. Additionally, IQE and MACOM also entered into long-term supply agreements concurrently.

This is an incredible result for IQE and its stakeholders, as it recognises the intrinsic value of the Group and maintains our unique global footprint and technology IP. Additionally, it removes debt pressures from the Company and leaves us with the capital structure to invest for profitable growth.

Board matters

After joining IQE’s Board in October 2024 as a Non-Executive Director, I took up the role of Executive Chair shortly thereafter, working alongside Jutta Meier who was named permanent CEO in May 2025 in addition to her CFO role. Our joint focus was the finalisation of the Strategic Review, unlocking embedded value and the optimisation of our asset base while also focusing on cash generation and management across the Group. Following the conclusion of the Strategic Review in April 2026, I resumed my position as Non-Executive Chair of IQE’s Board.

As part of the transaction, MACOM has been granted the right to nominate two non-executive directors to the Board, who will be appointed as soon as practicable.

Additionally, Harmesh Suniara, representative of Lombard Odier, notified the Board of his intention to resign from the Board after the conclusion of the Strategic Review, and Lombard Odier does not intend to nominate an alternate representative. I thank Harmesh for his valuable contributions and support during his tenure.

“The Board undertook a comprehensive process in order to find the best outcome for all stakeholders, enabling the Board to evaluate IQE’s core strengths, sharpen our focus and re-position the business to capture the most compelling opportunities in our key markets.”

Looking ahead

While IQE’s 2025 trading performance declined year-on-year, we saw a marked improvement from H1 to H2.

Revenue performance was affected earlier in the year largely due to softness in mobile handset markets and customer inventory overhang, as well as delays in some military and defence supply chains. This improved significantly in H2 due to faster than expected funding releases for some US military and defence programmes, as well as high photonics demand reflecting continued AI growth and an improvement in wireless sales.

The improved momentum we saw in H2 2025 carried into 2026, and as demand for compound semiconductors grows thanks to structural trends such as artificial intelligence, data centres, electrification and connectivity, we are aligning our business to ensure we can invest in areas where we can differentiate and create sustainable value.

I, along with the Board, am confident that IQE is now better positioned than ever, unburdened by debt repayments and uncertainty. The completion of the Strategic Review means we have the foundations in place to capitalise on the opportunities ahead of us in key growth markets, including in InP and GaN, which are poised for rapid growth.

Working closely together with our employees, customers and other stakeholders, we will unlock the potential of our world-leading compound semiconductor technologies.

Mark Cubitt
Chair

28 May 2026

Creating value through a resilient business model

What we do

As the only pure play epitaxy provider with a global footprint, IQE remains uniquely positioned within the global semiconductor ecosystem.

Substrates
Base materials



Epitaxy is where the value is created

Reactor



IQE IP



Epilayers are deposited on a substrate



Foundries
Device fabrication



Fabless
Design



Device makers
Device manufacture

How we do it

1 Market intelligence

35+ years of experience gives IQE a deep understanding of products, markets and technologies.

2 Research & development

IQE is at the forefront of innovation, working in partnership with the world's technology leaders to enable cutting-edge supply chains.

3 Product portfolio

We offer our customers the broadest product portfolio in the industry, underpinned by a comprehensive intellectual property portfolio and unrivalled process know-how.

4 Customer qualification

Exacting quality standards and uncompromising reproducibility and repeatability are central to our rigorous customer qualification process.

5 Manufacturing at scale

IQE's ability to turn innovation into mass production on three continents is supported by its advanced manufacturing infrastructure.

Who we do it for

Consumer Electronics

AI & Data centres

Communications infrastructure

Automotive & Industrial

Aerospace & Defence

[+ Read more in our market review on page 14.](#)

Delivering value for

Customers

£3m

Technology-related development expenditure

2024: £2m

Employees

2,523

Hours of learning completed in 2025

2024: 4804

Investors

£5m

Cash capital expenditure investment in 2025

2024: £11m

Communities

1 day

Annual paid employee volunteering leave entitlement

2024: 1 day

Environment

0

Reportable environmental incidents

2024: 0

Building the future

IQE's advanced epitaxial materials platforms enable semiconductor technologies across a diverse range of high-growth markets. From wireless communications and optical networks to intelligent sensing, next-generation displays, digital health and power electronics, compound semiconductors are critical to delivering the performance and efficiency required by emerging technologies.

Our key differentiators

1 Only global pure play epitaxy supplier

We are strategically positioned with the industry's most comprehensive product portfolio and a unique presence across three continents. This enables us to provide our customers with unmatched flexibility, scalability and supply security.

2 Market-led approach

We partner with our customers to develop bespoke solutions to address their market needs, leveraging our scalable materials platforms to deliver the world's most advanced compound semiconductor products.

3 Expansion capacity and scalability

In a market with high barriers to entry, we have a significant first mover advantage to scale our operations to meet future demand. We have the ability to expand in all geographies within our current site footprint.

4 Unmatched expertise

With more than 35 years of epitaxy expertise, IQE has a distinguished history of developing cutting-edge technology, underpinned by an unparalleled intellectual property portfolio.

5 Foundational technology

Due to their exceptional performance and efficiency, compound semiconductors are essential for the advanced electronic and photonic technologies that power modern communications, energy and digital infrastructure systems.

6 Delivering value

We are dedicated to evolving our business to prioritise sustainable growth for the benefit of all our stakeholders, including customers, partners, employees and shareholders.



AI & Data centre

Optical communications

The rapid growth of AI-driven data traffic is increasing demand for high-performance optical connectivity between data centres, cloud infrastructure and wide-area networks. Ultra-fast lasers and detectors, with InP-based photonics forming the foundation of next-generation optical transceivers, enable data to move efficiently across optical networks while the expansion of hyperscale AI infrastructure is accelerating demand for higher-speed optical interconnect technologies.

How IQE is responding

IQE has long-standing leadership in InP photonic epitaxy, supplying materials used in high-performance lasers and detectors that form the core of optical transceiver modules deployed across data centre and telecommunications networks. These devices enable ultra-fast optical links used within data centre fabrics and long-haul optical infrastructure. Building on its heritage as a pioneer in InP epitaxy for optical communications, IQE continues to support the development of next-generation optical interconnect technologies required for hyperscale AI computing. The Group's materials platforms enable advanced laser and detector architectures used in high-speed optical transceivers supporting ever-increasing data transmission rates. IQE is also advancing GaAs Quantum Dot Laser (QDL) technologies, which offer the potential for improved efficiency, higher bandwidth and enhanced reliability for future high-performance optical interconnects.

Power electronics for AI infrastructure

The rapid growth of hyperscale AI computing is driving increased demand for highly efficient power conversion technologies within data centre infrastructure. As rack power requirements increase and computing density grows, advanced power semiconductors are needed to improve energy efficiency and power density while reducing thermal losses.

Wide bandgap semiconductors such as GaN are increasingly enabling next-generation power architectures for data centre infrastructure, supporting higher switching frequencies and improved efficiency in server power supplies and power distribution systems.

How IQE is responding

IQE is working with industry partners to qualify GaN-on-Si power devices for data centre power conversion applications, including high-efficiency server power supplies. These technologies enable higher switching speeds and improved power density, supporting the transition toward next-generation AI computing infrastructure. This work represents an important diversification of IQE's GaN power portfolio, extending the Group's established automotive GaN capabilities into high-performance computing and hyperscale data centre infrastructure.



Consumer electronics

Smartphone

Smartphones remain one of the largest markets for compound semiconductor technologies, enabling both high-performance wireless connectivity and advanced sensing capabilities. Increasing demand for faster data speeds, improved functionality and enhanced user experiences is driving continued innovation in RF front-end architectures and optical sensing platforms. Advanced GaAs-based devices are central to enabling these capabilities. In particular, heterojunction bipolar transistor (HBT) technologies are widely used in RF power amplifiers that support wireless transmission across multiple frequency bands and increasingly complex cellular standards. 3D sensing technologies are also becoming an important feature in leading smartphone platforms, enabling capabilities such as facial authentication, gesture recognition and advanced imaging. These systems typically rely on near-infrared laser illumination combined with camera-based sensing to generate detailed depth maps of the surrounding environment.

How IQE is responding

IQE supplies advanced GaAs-based materials used in HBT technologies that power RF amplifier chipsets in many of the world's leading smartphone platforms. IQE is addressing requirements for higher performance and efficiency through next-generation HBT structures, which enhance transistor performance and enable highly efficient power amplifiers supporting advanced 5G connectivity. IQE also holds a leading position in GaAs-based VCSEL epitaxy, supplying materials that enable high-volume 3D sensing platforms deployed in leading consumer devices. The Group is the leading supplier of multi-junction VCSEL technologies, delivering higher optical output and improved efficiency for next-generation sensing architectures. VCSEL technologies are also supporting emerging

sensing applications in augmented and virtual reality and spatial computing platforms, including eye-tracking systems, where IQE is working with leading consumer technology companies to qualify next-generation sensing solutions.

MicroLED displays

MicroLED displays offer the potential to transform the display industry through enhanced brightness, energy efficiency and ultra-high pixel density, enabling new form factors and improved visual performance. Early adoption is expected in smart glasses and automotive displays, where such brightness and power efficiency are critical for next-generation display platforms.

How IQE is responding

IQE is partnering with leading display technology companies to support the development and scaling of next-generation red, green and blue (RGB) microLED technologies. Through its epitaxy expertise, the Group is positioning itself as a key materials and supply chain enabler for future microLED display platforms. IQE materials are currently designed into multiple customer research and development programmes delivering RGB epitaxy into display development platforms, enabled by our breadth of GaAs (red) and GaN (blue and green) materials technologies. The Group continues to make strong progress in GaN-on-Si RGB technologies, supporting industry efforts to transition microLED displays toward scalable manufacturing.

Wearables

Advances in digital healthcare are enabling a new generation of wearable devices capable of continuously monitoring physiological signals and biomarkers. Compound semiconductor technologies are a key enabler of these capabilities, providing the optical performance and sensitivity required for advanced sensing applications. Optical sensing is increasingly used for non-invasive measurement of vital health indicators such as heart rate, blood oxygen and emerging biochemical signals, driving the evolution of wearable devices from fitness tracking toward more advanced health monitoring platforms.

How IQE is responding

IQE works with leading technology partners to develop next-generation wearable sensing platforms. We support advanced optical sensing architectures based on both GaAs and InP photonics platforms, enabling laser illumination and high-sensitivity detector technologies used in wearable sensing systems. IQE's materials support laser and photodiode device architectures used in optical biosensing and spectroscopy, where precise wavelength control and low-noise detection are essential for accurate measurement. By engineering high-performance epitaxial structures tuned to specific sensing wavelengths, we enable our customers to develop advanced optical sensing modules for emerging healthcare applications. These capabilities build on the Group's long-standing leadership as a pioneer in InP epitaxy for optical communications, now being extended into advanced sensing applications.



Market review continued



Communications infrastructure

5G/6G

The continued global deployment of 5G networks is driving increasing demand for high-performance compound semiconductor technologies across both wireless infrastructure and mobile devices. Growth in artificial intelligence and cloud computing is accelerating the need for networks capable of delivering higher capacity, lower latency and improved energy efficiency. Looking ahead, sixth generation (6G) cellular networks will deliver a step change in wireless performance, enabling ultra-high data rates, extremely low latency and seamless connectivity across all network types; capabilities only made possible by advances in compound semiconductor technologies.

How IQE is responding

Within mobile devices, IQE supplies advanced GaAs-based materials used in HBT technologies that power RF amplifier chipsets, enabling wireless transmission in many of the world's leading smartphone platforms. As devices support increasing numbers of frequency bands and more complex wireless standards, RF front-end architectures require higher performance and efficiency. IQE is addressing these requirements through the supply of next-generation ternary base HBT structures, which enhance transistor performance and enable highly efficient power amplifiers supporting advanced 5G connectivity. 6G wireless networks will require further advances in semiconductor performance, operating frequency and system efficiency. Across wireless infrastructure, IQE's GaN-on-SiC technology underpins high-power RF amplifiers used in next-generation 5G base stations, enabling higher output power, improved efficiency and enhanced thermal performance.

MicroLED optical interconnects

As computing architectures evolve, new optical interconnect technologies are emerging to support ultra-high bandwidth data transfer between processors and memory. MicroLED arrays based on GaN-on-Si technologies are being developed as a new class of optical transmitters capable of delivering extremely high modulation speeds and massively parallel optical communication channels. These devices enable highly compact optical interconnect architectures capable of supporting short-reach data links within advanced computing systems, offering the potential for significantly higher bandwidth density and improved energy efficiency compared with conventional electrical interconnects.

How IQE is responding

IQE is working with industry leaders developing GaN-based microLED arrays for next-generation optical interconnect technologies. These platforms leverage advanced GaN epitaxy to enable ultra-fast optical emitters capable of supporting highly parallel optical communication links. This technology builds on IQE's established capabilities in GaN materials for microLED display technologies, providing a highly complementary development pathway. With its existing GaN epitaxy platforms and manufacturing capacity, IQE is well positioned to support the future scaling of microLED technologies for both display and optical interconnect applications.



Automotive & Industrial

Electric vehicles

Vehicle electrification continues to drive demand for more efficient power electronics across automotive platforms. Wide bandgap semiconductors are increasingly enabling higher efficiency power conversion in electric vehicles, particularly in on-board chargers and DC-DC converters, where improved switching performance enables smaller, lighter and more efficient power systems.

How IQE is responding

IQE has successfully completed its GaN fleet expansion, qualifying its final two new reactors in 2024 at its Newport site. The Group now has capacity to support global GaN power device development across sites in both the US and UK.

IQE continues to make strong progress with leading automotive power semiconductor partners, qualifying new customer platforms and advancing 650 V automotive GaN transistor technologies. Recent business updates highlight the growing diversity of development programmes across the EV power electronics ecosystem, including collaborations with multiple device manufacturers, substrate suppliers and US-based manufacturing initiatives.

These programmes span next-generation GaN device architectures, engineered substrate platforms and automotive-qualified power devices, positioning IQE to support a broad range of high-efficiency power switching applications. These developments position IQE as a key materials partner enabling the adoption of GaN power technologies across next-generation electric vehicle platforms.

Industrial

The increasing electrification of industrial infrastructure and communications networks is driving demand for more efficient power electronics. Advanced semiconductor technologies are enabling higher efficiency power conversion, supporting applications including telecom power systems, wireless network infrastructure and industrial power supplies. These technologies play an important role in improving energy efficiency and reducing power losses across large-scale infrastructure systems.

How IQE is responding

IQE's established position in GaN-on-Si power epitaxy for automotive markets provides a strong foundation to address emerging infrastructure opportunities. Supported by recently expanded capacity, IQE is engaging with multiple industrial partners developing GaN transistor technologies and next-generation power conversion platforms for applications including telecom infrastructure, communications networks and industrial power systems.



Mark Furlong

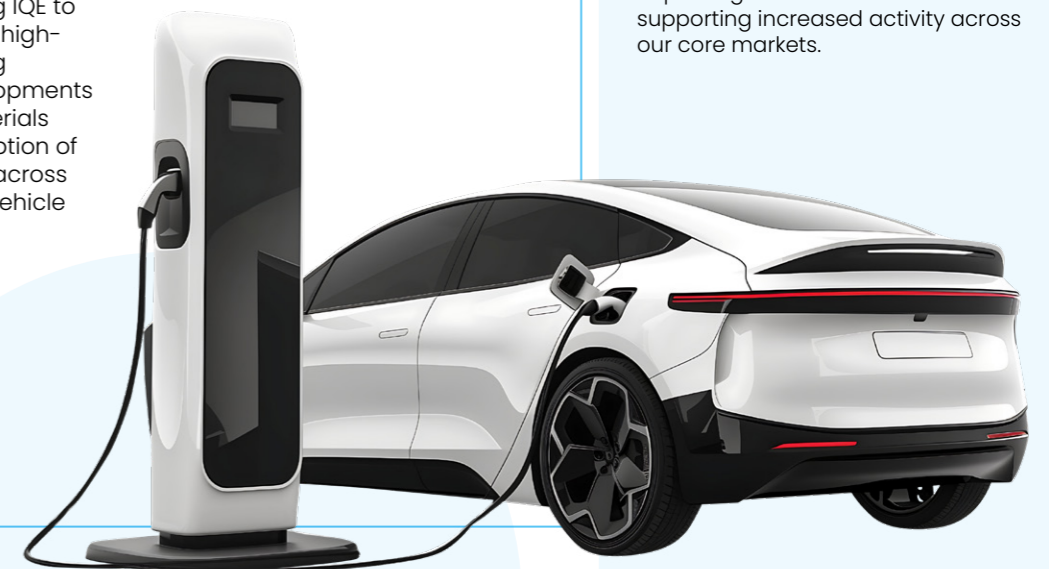
Chief Revenue Officer

The compound semiconductor market continued to demonstrate strong underlying demand in 2025, supported by structural drivers across AI infrastructure, advanced communications and aerospace and defence. Against this backdrop, 2025 was a year of transition for IQE, with customer inventory adjustments and programme timing impacting revenue performance.

In response, we focused on investing for future growth, committing significant engineering resources to develop new product pipelines across our core markets. This included InP-based solutions for AI-driven data centre and hyperscale infrastructure opportunities, alongside defence and security applications, where compound semiconductors remain a critical enabling technology underpinning sensing and communications.

Increasing geopolitical shifts are supporting sustained investment in this area, and as a longstanding and trusted supplier, IQE is well positioned to benefit over the medium term.

We continue to advance our development pipeline and deepen customer partnerships, with improving market conditions in 2026 supporting increased activity across our core markets.





Aerospace & Defence

Infrared sensing

Advances in infrared imaging and multi-spectral sensing are enabling a new generation of intelligent sensing systems capable of operating in complex and low-visibility environments. Increasingly, sensing platforms combine high-performance infrared detectors with advanced data processing and artificial intelligence to enable persistent monitoring, environmental awareness and automated object detection. These capabilities are being deployed across platforms including autonomous aerial systems, intelligent monitoring infrastructure and advanced machine vision applications, driving demand for advanced infrared semiconductor materials.

How IQE is responding

IQE is a global leader in infrared materials, delivering the industry leadership in both substrate and epitaxial wafers. The Group's antimonide materials platform supports superlattice infrared sensing technologies, now in production and being adopted across multiple sensing platforms. Operating across the short, mid, and long-wave infrared spectrum, IQE's materials deliver enhanced detection range, improved imaging performance and a scalable, cost-effective alternative to incumbent sensing technologies. With its broad antimonide and InP materials portfolio, IQE is uniquely positioned to support sensing technologies across the full infrared spectrum.

Radio frequency (RF) communications

Growing geopolitical complexity and rapid advances in radar and sensing technologies are driving increased investment in next-generation aerospace and defence systems. Modern platforms increasingly rely on advanced semiconductor technologies to deliver higher performance, improved detection capability and enhanced situational awareness. Compound semiconductors play a critical role in enabling these systems, particularly in active electronically scanned array (AESA) radar architectures, electronic warfare systems, satellite communications platforms and next-generation high-frequency RF frequency technologies.

How IQE is responding

IQE is a leading supplier of GaN-on-SiC epitaxy for defence radar applications, supporting many of the industry's Tier 1 radar system developers. The Group's materials enable high-performance RF power amplifiers used in next-generation AESA radar systems, where GaN technology delivers the power density and efficiency required for advanced radar architectures.

IQE's leadership in large-diameter GaN-on-SiC epitaxy supports the production of large-area radar arrays containing thousands of transmit-receive modules, enabling scalable manufacturing of high-performance radar systems. The Group also provides dual-continent supply capability, supporting customers with resilient supply chains across both Europe and North America.

Space communications

The rapid expansion of satellite communications and low-earth-orbit (LEO) constellations is driving increasing demand for high-performance semiconductor technologies capable of operating at high frequencies and in extreme space environments. Satellite payloads and ground terminals rely on advanced RF front-end technologies to enable high-capacity communication links across K-band and emerging millimetre-wave frequency bands. Compound semiconductors are essential for these systems, providing the performance, efficiency and reliability required for long-distance space communications and next-generation satellite networks.

How IQE is responding

IQE maintains long-standing leadership in GaAs pHEMT epitaxy, supplying materials used in high-frequency RF devices for satellite communications and space-based electronics. These technologies enable low-noise amplifiers and RF front-end modules used in satellite payloads, telemetry systems and ground communication terminals supporting commercial broadband and defence satellite networks. The Group also supplies GaN-on-SiC epitaxy supporting the development of high-power RF devices used in satellite transmit amplifiers and phased-array communication systems. GaN technology delivers superior power density, efficiency and thermal performance, enabling next-generation satellite payload architectures and increasingly substituting incumbent RF technologies in high-power space communication platforms. In addition, InP-based photonic technologies are enabling the development of optical satellite communications, including high-capacity satellite laser links used in emerging LEO networks. Together, these compound semiconductor platforms position IQE to support the next-generation of global satellite communications and secure space-based connectivity infrastructure.



Strategic progress

IQE's strategy is focused on maintaining and strengthening our share in existing core markets, while selectively diversifying into new markets that offer long-term growth potential. We will achieve this through deep customer partnerships which support sustainable growth and allow us to capture value for what we do.



Connect

IQE's established, market-leading Connect product portfolio includes:

- GaAs-based HBT, BiFET, BiHEMT, and PHEMT epiwafers for mobile handset front-end modules
- GaN/SiC and GaN/Si RF epiwafers for base station applications
- GaAs and InP-based lasers and detector epiwafers for data/telecom transceivers

2025 focus

- Complete GaAs front-end module qualifications; pilot production expected to commence in 2025
- Leverage historic strength for GaN on SiC for RF to capture additional market share, particularly in the UK and Europe
- Service re-emerging InP datacom market and qualify with customers for new AI applications
- Secure additional contract revenue for quantum dot products

Progress in 2025

- Successfully qualified market-leading front-end module HBT/BiFET technology with three key partners
- Began qualification for multiple GaN on SiC infrastructure applications in the US and UK
- Delivered against increased InP order book and advanced key qualifications on schedule
- Progressed quantum dot development and qualification on schedule

2026 objectives

- Ramp production of next-generation FEM products
- Complete qualifications for GaN on SiC infrastructure opportunities secured in 2025
- Build on 2025 successes for InP and continue volume ramp



Sense

IQE is a long-standing leader in advanced sensing applications:

- GaAs-based VCSELs for 3D facial recognition systems in mobile handsets
- GaSb-based detectors for military applications
- GaN on SiC for defence radar applications

2025 focus

- Support existing customers with qualifications of next design iterations to grow market share within the 3D Sensing market
- Continue to grow the GaSb MBE business capitalising on increasing defence-based demand
- Retain leadership position in GaN on SiC defence applications by developing next-generation technology

Progress in 2025

- Retained strong market position in 3D Sensing
- Delivered against strong GaSb order book in H2 2025
- Deepened partnerships with Tier 1 GaN on SiC defence customers

2026 objectives

- Deliver against strong 2026 demand for GaN on SiC products for radar applications
- Retain leading position in GaSb markets and advance next-generation qualifications
- Complete qualifications for next iteration of GaAs 3D Sensing products



Power

IQE is creating capability and capacity to serve the power market, where we are leveraging our deep technical expertise and customer partnerships to enable cutting-edge automotive and industrial applications.

2025 focus

- Fully qualify a reference 650 V e/d technology
- Qualify with multiple Tier 1 GaN on Si power customers/foundries
- Develop technology for higher and lower voltage nodes

Progress in 2025

- Delivered first 650 V samples to partners from IQE Newport
- Secured position as epiwafer supplier for critical government power and automotive programmes
- Delivered next-generation higher voltage technology for key government initiative

2026 objectives

- Complete 650 V qualifications and begin pilot production
- Secure additional 650 V partnerships, with a focus on the EU region
- Execute against next phase of government programmes for higher voltage nodes



Display

IQE is developing leading edge technology to enable small form factor, ultra-high resolution and efficient microLED displays. Augmented and virtual reality applications, mobile handsets and wearable devices will ultimately require the use of red, green, and blue (RGB) microLEDs. Green and blue technology development leverages IQE's established GaN on Si expertise. For red, IQE has a dual path, developing a GaAs/Ge-based technology for initial adoption and GaN on Si for subsequent generations.

2025 focus

- Continue RGB development to demonstrate state of the art performance
- Secure additional non-recurring engineering (NRE) arrangements to monetise R&D activity

Progress in 2025

- Year-on-year NRE growth for both GaN and GaAs-based microLED technologies
- Met all R&D milestones securing addition development and qualification partnerships

2026 objectives

- Progress established display partnerships and deliver against programme milestones
- Apply learnings from blue GaN display technology to communication market opportunities

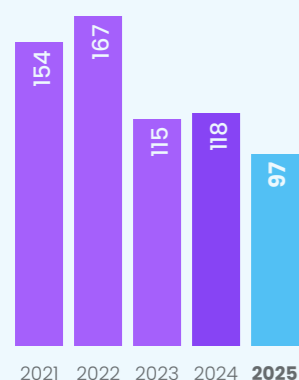
2025 Performance review

Our performance highlights both our financial and non-financial priorities, reflecting our commitment to maximising business performance while building a sustainable and resilient business for our employees and the community.

Financial highlights

Revenue

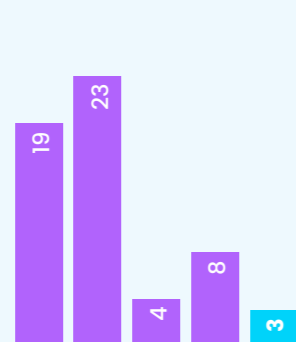
(£m)



2021 2022 2023 2024 2025

Adjusted EBITDA*

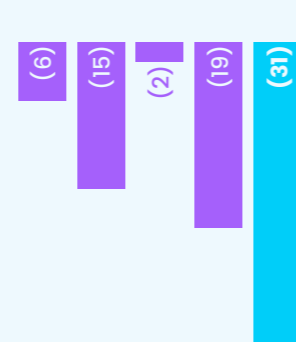
(£m)



2021 2022 2023 2024 2025

Adjusted net cash/(debt)**

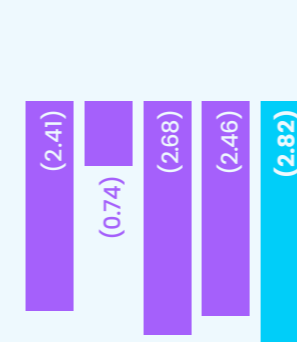
(£m)



2021 2022 2023 2024 2025

Adjusted diluted EPS

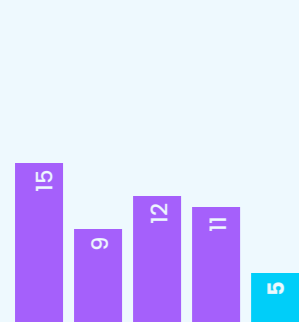
(£p)***



2021 2022 2023 2024 2025

Property, plant and equipment cash expenditure

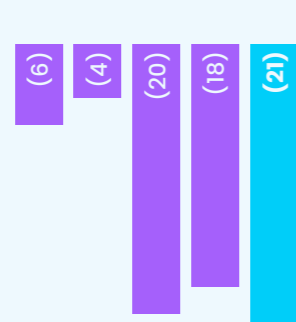
(£m)



2021 2022 2023 2024 2025

Adjusted operating profit/(loss)*

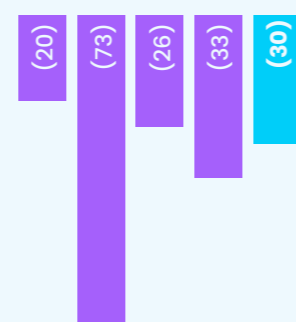
(£m)



2021 2022 2023 2024 2025

Operating loss

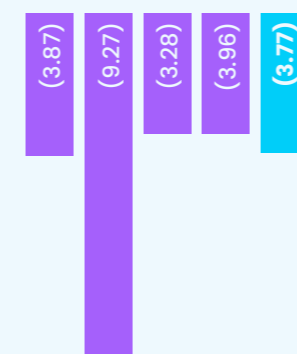
(£m)



2021 2022 2023 2024 2025

Diluted EPS

(£p)

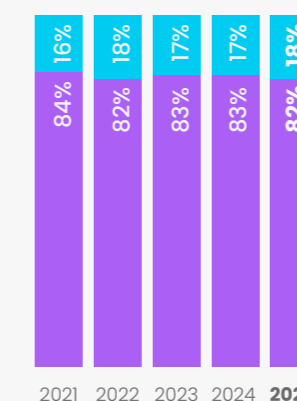


2021 2022 2023 2024 2025

Non-financial highlights

Gender diversity

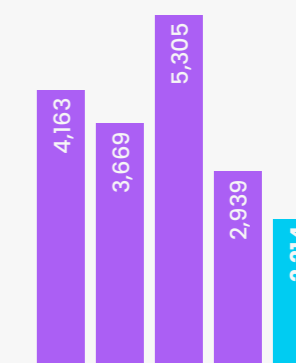
Group level



2021 2022 2023 2024 2025

Female
Male

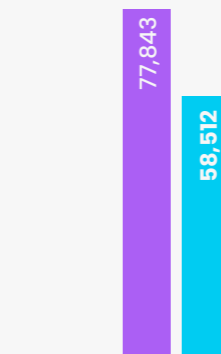
Safety course completions



2021 2022 2023 2024 2025

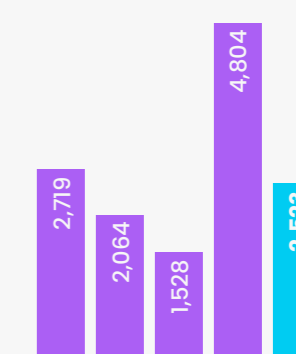
Total GHG emissions

(tCO₂e)



2024 2025

Learning hours completed



2021 2022 2023 2024 2025

* The nature and description of alternative performance measures are included in Note 5 on pages 120 to 123.

** Adjusted net debt is defined on page 96.

*** The nature of adjusted diluted EPS is referenced in Note 12 on pages 128 to 129.

+ Read more in our Responsible business section from page 31.



Financial review

“The conclusion of IQE’s Strategic Review will generate sufficient proceeds to enable repayment of existing debt, strengthen our balance sheet and support the Group’s longer-term capital structure.”

Jutta Meier

Chief Executive Officer and Chief Financial Officer

The Group reports financial performance in accordance with international accounting standards in conformity with UK adopted international accounting standards (‘UK adopted IFRS’) and provides disclosure of additional alternative non IFRS GAAP performance measures to provide further understanding of financial performance. Details of the alternative performance measures used by the Group, including a reconciliation to reported UK adopted IFRS GAAP performance measures, are set out in Note 5 to the financial statements.

Review of Year

The Group experienced weak customer demand and reduced customer order volumes following the global semiconductor industry downturn. Recovery across key sectors has been slower than previously anticipated, influenced by geopolitical factors and lower consumer demand in certain end markets. As a result, revenue for 2025 decreased by 18% to £97,300,000 (2024: £118,034,000) and the Group reported an operating loss of £30,059,000 (2024: £32,958,000). These conditions have placed pressure on the Group’s financial performance and liquidity and, as previously announced, led the Directors to commence a Strategic Review of the Group and to take actions to secure short-term financing to support the Group’s liquidity position.

In response to the Group’s short-term liquidity requirements, the Directors have implemented several funding and debt covenant-related measures. These include the negotiation of a Deed of Amendment and Restatement to the Group’s £25,900,000 (US\$35,000,000) multi-currency revolving credit facility (‘RCF’), resulting in amendments to the applicable financial covenants, together with the subsequent extension of the tenor of the facility to 1 September 2026 and the receipt of formal waivers of the minimum EBITDA covenant tests on 30 September 2025 and 31 December 2025. In addition, a £18,000,000 convertible loan note fundraising was completed in 2025, providing additional short-term liquidity while the Strategic Review continued.

On 28 May 2026, the Group completed a financing (the ‘Fundraising’) raising gross proceeds of approximately £81,000,000, marking the completion of the Strategic Review.

The Fundraising comprises a subscription for new ordinary shares by a strategic investor, MACOM Technology Solutions Holdings Inc, at an issue price of 19.8 pence per share raising approximately £30,000,000, a placing and retail offer of new ordinary shares at an issue price of 19.8 pence per share raising approximately £13,000,000, the issue of £15,000,000 new convertible loan notes (the ‘New CLNs’) to MACOM Technology Solutions Holdings Inc, and the restructuring of the Company’s existing convertible loan notes (the ‘Existing CLNs’).

Under the terms of the Fundraising, holders of the Existing CLNs agreed to the redemption of their holdings. Approximately £23,000,000 of the amounts due on redemption was reinvested in new ordinary shares at the issue price, with the balance settled in cash.

The Fundraising has resulted in a significant net cash position for the Group with the net proceeds used to repay the Group’s existing RCF bank debt, support the Group’s working capital requirements and ongoing strategic investment, and significantly strengthen the Group’s overall financial position.

Group revenue of £97,300,000 (2024: £118,034,000) declined by 18% year on year, primarily driven by a significant reduction in Wireless revenues. This sharp contraction in the Wireless segment, reflecting weaker demand and lower customer order volumes, was only partially offset by growth in the Photonics segment. Photonics has continued to expand and now represents the largest part of the Group’s revenue, increasing to 58.7% of total revenue (2024: 42.3%), while Wireless has decreased to 41.2% (2024: 57.0%).

Wireless revenue decreased 40.4% to £40,101,000 (2024: £67,295,000), reflecting uncertain macroeconomic conditions in the first half of the year and softness in mobile handset demand, with some end customer requirements met from existing inventory. Despite the sharp decline in the first half, Wireless trading momentum improved in H2 2025, delivering half on half revenue growth of 15.6% (H2 2025: £21,505,000; H1 2025: £18,596,000), supported by improving market conditions and increased sales associated with new handset launches that benefitted the Group’s Taiwan operations. In contrast, Photonics revenue increased 14.6% to £57,134,000 (2024: £49,876,000), driven by funding releases for certain US military and defence programmes in H2 2025 and continued growth in AI and data centre-related markets.

Statutory gross profit declined to £1,352,000 (2024: £4,446,000). This reduction reflects both the lower revenue base and a decrease in gross margin, driven by the underutilisation of manufacturing assets and capacity. In the current environment, a significant portion of the Group’s cost base does not flex in line with short-term changes in production volumes, resulting in a disproportionate impact on gross profitability when manufacturing volumes increase or decrease significantly.

Selling, general and administrative (‘SG&A’) expenses decreased by 7.4% in the year, falling from £29,982,000 to £27,758,000, excluding separately disclosed impairment losses on intangible assets of £9,586,000 (2024: £3,772,000) and on property, plant and equipment and right of use assets of £647,000 (2024: £4,646,000). Adjusted SG&A expenses, which exclude share-based payments, Chief Executive Officer recruitment costs, Chief Executive Officer severance costs and restructuring expenses reduced from £24,109,000 to £22,609,000 (6.2%). This reduction primarily reflects tight cost control in an inflationary environment, alongside the annualised benefit of labour cost savings and discretionary expenditure reductions implemented in prior periods.

Impairment losses on intangible assets, property, plant and equipment and right of use assets reflects a non-cash impairment loss of £7,984,000 related to the Group’s predominately UK related photonics assets and a

Revenue

£97m

2024: £118m

Net operating loss

£(30)m

2024: £(33)m

Adjusted EBITDA

£3m

2024: £8m

non-cash impairment loss of £2,249,000 related to certain intangible development and patent cost assets associated with the restructuring of the Group’s South Wales operations and the closure of its Cardiff silicon focused facility. The impairment related to the photonics assets was determined based on value in use calculations, reflecting weaker than anticipated performance in this business segment. The impairment 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 £7,337,000 (including £7,215,000 relating to goodwill), non-cash property, plant and equipment impairment charge of £402,000 and a non-cash right of use asset impairment of £245,000.

Net restructuring income totalled £2,485,000 (2024: £7,638,000 cost), including £2,249,000 (2024: £5,352,000) of non-cash intangible asset and property, plant and equipment asset impairments, a non-cash gain on disposal of £8,167,000 relating to the liquidation of the Group’s Singapore entities within the year, where trading ceased in 2022 and other restructuring costs of £2,633,000 (2024: £3,021,000). Other restructuring costs principally relate to the consolidation of the Group’s UK manufacturing operations, restructuring and sale related activities associated with the Group’s Taiwanese manufacturing operation, and restructuring of the Group’s Executive Leadership Team. Restructuring activities during the year were directed towards reducing structural costs, including the optimisation of manufacturing capacity through the continued consolidation of the Group’s South Wales operations into the Newport manufacturing site. As part of this programme, the Group completed the closure and decommissioning of the Cardiff silicon focused facility, resulting in restructuring charges of £4,259,000 (2024: £1,584,000). These charges comprised employee-related costs of £198,000 (2024: £447,000), site decommissioning costs of £1,012,000 (2024: £897,000), non-cash intangible development and patent cost

Financial review *continued*

impairments of £2,249,000 (2024: £nil), and losses on disposal of property, plant and equipment of £800,000 (2024: £103,000 profit on disposal). Restructuring and sale related costs associated with the Taiwanese operation totalled £1,244,000 (2024: £155,000), comprising £784,000 (2024: £155,000) of legal and professional fees linked to the proposed sale of the manufacturing operation, and £460,000 (2024: £nil) of employee-related restructuring and retention costs.

A reported operating loss of £30,059,000 has been incurred (2024: £32,958,000), with the 2025 operating loss impacted by non-cash asset impairments of £10,233,000 (2024: £8,418,000). On an adjusted basis, the Group recorded an adjusted operating loss of £20,964,000 in 2025 compared with £18,357,000 in 2024. The year-on-year increase in both reported and adjusted operating losses primarily reflects the decrease in sales and the reduction in gross margin, driven by the underutilisation of manufacturing assets and capacity during a period of lower manufacturing volumes. Further detail is provided in the segmental analysis in Note 4, which sets out the operating and adjusted operating losses attributable to the Wireless, Photonics and CMOS++ segments, together with the adjusted operating margins for each segment (before central corporate support costs). Within this, Wireless adjusted operating margins declined from 9.7% in 2024 to negative (7.5%) in 2025, primarily reflecting depressed customer demand linked to the mobile handset market, particularly in H1 2025, and the associated underutilisation of manufacturing assets and capacity, most notably at the Group's Taiwanese manufacturing site. Photonics adjusted operating margins improved from negative (21.2%) in 2024 to negative (9.5%) reflecting a combination of increased sales and improved utilisation of manufacturing assets driven by military and defence related sales and growth in AI and data-centre-related markets.

Finance costs totalled £7,269,000 (2024: £3,947,000), comprising £5,518,000 of bank and other loan interest (2024: £2,293,000) and £1,751,000 of interest expense on lease liabilities (2024: £1,654,000). The increase in bank and other interest costs reflects higher utilisation of the Group's HSBC Bank plc revolving credit facility during 2025, together with interest associated with the Group's convertible loan notes issued in March 2025.

The tax credit of £339,000 (2024: £1,273,000 charge) comprises a deferred tax credit of £1,081,000 (2024: £nil), primarily arising from the recognition of a deferred tax asset relating to taxable losses generated by the Group's Taiwanese operations in the year. Recognition of deferred tax assets in the UK and US has been restricted to reflect forecast future profitability, which assumes a gradual recovery in market conditions and customer demand. Consequently, projected lower utilisation of UK and US deferred tax assets has limited the ability to recognise deferred tax assets for carried forward and current year losses.

The effective tax rate of 1.8% (2024: 1.1%), applicable to the tax charge of £161,000 (2024: £157,000 credit) on adjusted items, is lower than the UK statutory corporation tax rate of 25%. This primarily reflects the non recognition of deferred tax assets relating to current year UK and US trading losses, which include adjusted Chief Executive Officer recruitment costs, Chief Executive Officer severance costs and restructuring expenses.

The decrease in the loss for the year to £36,695,000 (2024: £38,178,000) principally reflects the reduction in adjusted items to £9,095,000 (2024: £14,601,000), partially offset by a reduction in AEBITDA. On an adjusted basis, the loss for the year increased to £27,439,000 (2024: £23,734,000). Basic and diluted loss per share decreased from 3.96p to 3.77p, with adjusted basic and diluted loss per share increasing to 2.82p (2024: 2.46p), reflecting the Group's performance at both a statutory and adjusted level.

Cash generated from operations increased to £8,070,000 (2024: £1,282,000), principally reflecting the impact of working capital movements. The £6,149,000 working capital inflow primarily resulted from a significant reduction in trade and other receivables, driven by cash collection relating to customer wafer demand that had been manufactured in advance during 2024. The Group continued to invest in capacity to support diversification into high growth markets, with capital expenditure of £5,092,000 (2024: £11,359,000) focused mainly on Gallium Nitride-related manufacturing capability, supporting expansion into the power electronics and advanced display (uLED) markets. Intangible asset expenditure totalled £3,261,000 (2024: £3,486,000), primarily relating to technology development activities also focused on Gallium Nitride.

The increase in cash generated from operations, together with interest and tax cash costs of £4,347,000 (2024: £4,158,000), investing cash outflows of £8,389,000 (2024: £10,194,000), repayment of lease liabilities of £5,680,000 (2024: £3,470,000), and net increases in bank borrowings of £4,105,000 (2024: £15,445,000) and net convertible loan note borrowings of £17,285,000 (2024: £nil), collectively resulted in an increase in the Group's cash position to £15,653,000 (2024: £4,660,000). Net debt (excluding lease liabilities and derivative financial instruments) increased from £18,800,000 to £31,484,000 as at 31 December 2025.

Equity shareholder funds total £89,694,000 (2024: £134,110,000) with the movement from 2024 primarily reflecting the loss for the year.



Jutta Meier

Chief Executive Officer and Chief Financial Officer

28 May 2026





Consistent engagement

“It is important that we continue to engage with all of our stakeholders as we progress our strategic goals and plan for continued success.”

Tom Dale
Chief People Officer & General Counsel

mechanisms to understand and consider our stakeholders’ views. Whilst the Board engages with certain stakeholders directly, there is also significant engagement by senior management and throughout IQE.

We have set out below our key groups of stakeholders, the issues and factors relevant to those stakeholders and how we have engaged with those stakeholders.

Over the past year, we have engaged with most of our stakeholder groups about the Strategic Review and the impact of the inherent uncertainty caused by the Strategic Review and the Group’s financial position on that stakeholder group. We have been clear to iterate the Group’s long-term strategic value and look forward to providing further updates at the conclusion of that process.

Our impact on, and engagement with, our key stakeholder groups is considered within the implementation of our strategy, which is overseen by the Executive Leadership Team and supported by the Board of Directors. We consider the impact we have on our stakeholders, as well as what our stakeholders consider important when developing IQE’s strategies for future success. Engagement with our stakeholders allows us to grow and execute our strategy and we have used a range of engagement

How the Board has engaged with shareholders, the workforce and other stakeholders:

Customers	
<p>We provide the best advanced compound semiconductor materials solutions to our customers, supported by bespoke product offerings and personalised customer support. We have a wide and diverse range of customers and serve end applications aligned with our core markets of Connect, Sense, Power & Display.</p>	
Material issues	How we engage
<ul style="list-style-type: none"> Consistently high-quality products, technical expertise and continuous improvement High standard of business conduct Continuous improvement Fair pricing Excellent ongoing customer support Continuity of supply 	<ul style="list-style-type: none"> The Executive Leadership Team and other senior management frequently host and attend meetings with key customers around the world, both virtually and in person. These meetings provide management with meaningful opportunities to understand first hand, at a senior level of the organisation, how we can enhance our offering to customers by understanding their current and future needs. The CEO and other members of the Executive Leadership Team provide the Board with feedback and trends from these meetings.

Employees
Our employees are fundamental to our business success. We have a responsibility to support their health, wellbeing and development at IQE. A highly capable and diverse workforce will also enable us to better understand our customers and markets. We aim to continually invest in our people, developing the capabilities that we will need to succeed over the longer term. We are committed to becoming the company where the best in our sector want to work and strive to offer opportunities that will attract, motivate and retain a diverse pool of talented employees, enabling them to give their best.

Material issues	How we engage
<ul style="list-style-type: none"> Opportunities for personal development and career progression Trust and encouragement to contribute to the success of the business Consideration of their health, safety and wellbeing Working as part of an equitable, inclusive and diverse culture Clarity of expectation on how recognition and remuneration structures align with accountabilities 	<ul style="list-style-type: none"> Members of the Board engaged with a broad range of employees throughout the year through informal site-based meetings and virtual ‘ask me anything’ discussions. The CEO and wider ELT host regular all-employee Town halls and site-based all-hands meetings to proactively engage with our people. We continue to promote our ‘Zero is possible’ health and safety programme.

Investors and Shareholders
We place considerable importance on the maintenance of regular and open dialogue with our shareholders. Our goal is to deliver returns to our investors and shareholders through profitable and sustainable growth with the efficient use of capital. Our investors and shareholders are also key contributors in the formation of our sustainability agenda.

Material issues	How we engage
<ul style="list-style-type: none"> Current and future financial performance Maximising opportunities for growth 	<ul style="list-style-type: none"> We actively engage with shareholders throughout the year to ensure they understand the performance of our business. Our ongoing programme includes numerous shareholder meetings and roadshows, which are facilitated alongside our full and half year results. The Chair, Remuneration Committee Chair, and CEO all directly engaged with a range of shareholders on key topics including the Group’s financial performance, strategy and Executive Director Remuneration. Virtual meetings were held with our largest shareholders to understand their priorities for the Group’s sustainability agenda.

Partners and Suppliers
Our supply chain plays a vital role in supporting our products and broader business strategy and we recognise the value of our partners and suppliers. To meet the expectations of our customers, we develop strong working relationships with our suppliers and look for our suppliers to provide excellent, consistent quality and added value. Engaging with our supply chain is also crucial in the development and delivery of our Net Zero commitment and SBTi targets.

Material issues	How we engage
<ul style="list-style-type: none"> Forecasting visibility Product quality Fair pricing Long-term partnerships 	<ul style="list-style-type: none"> The Board received regular updates throughout the year regarding industry-wide supply chain challenges and the ongoing work to mitigate the impacts of these challenges. Our Executive Leadership Team and other senior managers work closely with our supply chain partners to involve them in our planning processes and alignment with our strategy.

Society
We believe that our technology and products will benefit and advance society and provide a positive impact on the world’s sustainability. We work hard to ensure that we have a positive impact on all those around us.

Material issues	How we engage
<ul style="list-style-type: none"> Opportunities for local investment Impact on local and wider environmental and social issues 	<ul style="list-style-type: none"> We use market data and insights to develop new products which will bring benefits to society. Our ESG Committee has oversight of the Group’s sustainability agenda and is focused on developing the Group’s approach to climate change, amongst other things.

Section 172(1) statement

Engaging with our stakeholders and acting in a way that promotes the long-term success of the Group, while considering the impacts of our business decisions on our stakeholders, is central to our strategic thinking and our statutory duty in accordance with Section 172(1) of the Companies Act 2006. This constitutes our Section 172 Statement as required under the Companies (Miscellaneous Reporting) Regulations 2018.

The Board of Directors considers, both individually and collectively, that it has acted in a way that it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in Section 172 (a) to (f), in the decisions taken during the year.

Recognising that companies are run for the benefit of their shareholders, but that the long-term success of a business

is dependent on maintaining relationships with stakeholders, the Board continuously reviews which relationships support the generation and preservation of value in the Company. These relationships include those with our customers, employees, investors and shareholders, partners and suppliers and society.

As a Board, our intention is to behave responsibly and ethically at all times, in line with our Company values, and to ensure that our management teams operate the business in a responsible manner and to the highest standards of business conduct and good governance. As we act in a way which reflects our values, we will contribute to the long-term success of the Company and continue to develop our reputation as a responsible and successful Company that delivers stakeholder value.

Further information as to how the Board has had regard to the Section 172 factors:

Section 172 Factor	Key Examples	Page
A. Consequences of any decision in the long term	• Consideration of how IQE generates long-term value through the development of our Business Model and Strategy	+ Page 12
		+ Page 20
	• Risk management	+ Page 42
B. Interests of employees	<ul style="list-style-type: none"> • Participation in Diversity, Equity and Inclusion planning for the business • Promotion of employee wellbeing initiatives and benefits awareness • Participation in Townhalls and employee forums • Sustainability 	+ Page 34
C. Fostering business relationships with suppliers, customers and others	• Building strong relationships with customers and suppliers within the Group's supply chain, which is essential for achieving the Group's long-term strategic goals	+ Page 32
D. Impact of operations on the community and the environment	• Consideration of Environmental, Social and Governance improvement strategies	+ Page 31
	• Review of environmental performance, ISO 14001 Environmental management system and emission reduction initiatives	+Page 40
	• Sustainability	
E. Maintaining high standards of business conduct	• Promotion of responsible business operations, with a focus on the Group's Anti-bribery and Corruption, Confidentiality and Whistleblowing policies, and Anti-Slavery Statement	+ Page 33
F. Acting fairly between members of the Company	• Shareholder engagement	+ Page 29
	• Investor information and the Annual General Meeting	+ Page 55

Responsible business priorities

Through 2023 and early 2024, we conducted a formal materiality assessment to ensure we had a wide range of stakeholder views to inform our prioritisation of the sustainability issues with the greatest impact on our business, communities and the environment. We expect to refresh the materiality assessment in 2026.

The materiality assessment was developed through several steps using a third party to ensure a thorough approach. We initially used a desktop survey as a pre-assessment to determine the key issues in current corporate reporting. We used that initial assessment as the basis for engaging a range of stakeholders, starting with interactive sessions with our global leadership team, site-based workshops and interviews with our major

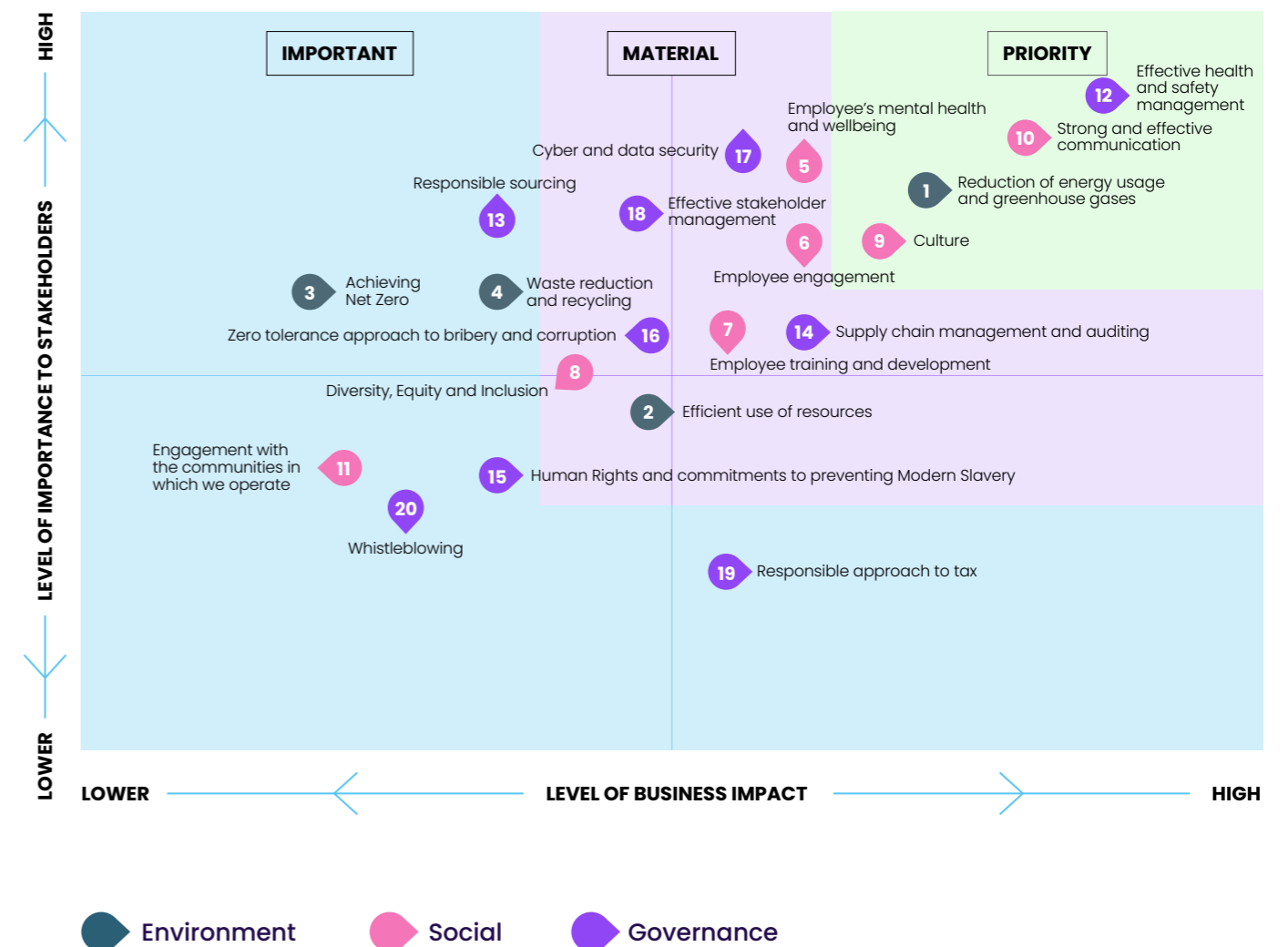
shareholders. We then used feedback from our customers and suppliers, through their own corporate reporting and requests or surveys to IQE, before reviewing the combined feedback with our Executive Leadership Team and the ESG Committee.

Once identified, the material issues were plotted on our materiality matrix and assessed against the level of business impact* and level of concern to stakeholders. A copy of the final materiality matrix is shown below.

We will prioritise our efforts against the items towards the top right-hand corner of the matrix.

* Impact on IQE's ability to create economic, environmental and social value.

A matrix of materiality impacts





Supply chain

“While supply chain represents the biggest cost to a company, it is also its biggest opportunity, being a strategic function that influences business outcomes. Strongly aligned partnerships and clear communication channels with our suppliers ensures we minimise supply chain disruption, effectively manage cost, increase efficiencies and reduce waste.”

David Bishop

Head of Global Supply Chain

A company’s environmental and social impact is closely linked to its supply chain. At IQE, we focus on integrating high standards throughout our operations to foster a responsible supply chain. This includes working to manage natural and human resources in a responsible way at every step of the production process.

Approximately 100 suppliers from across the globe supply parts, components, systems and services to IQE. This strategic supplier network makes major contributions to value creation and economic prosperity in the communities in which they operate.

Our suppliers share a commitment to responsible sourcing practices which is more important now than ever. They are key partners and continue to play a critical role in helping us achieve our vision and goals.

To mitigate risk within our supply chain, we require our suppliers to meet the same environmental and social responsibility standards that we set for ourselves. These standards are clearly outlined in our IQE Code of Conduct.

2025 supply chain review

The global semiconductor supply chain has been under enormous pressure over the past few years. Crises ranging from the geopolitical tensions to raw material shortages and commodity inflation have caused unprecedented

disruption. IQE and our supply chain partners have worked hard to address these challenges, setting ambitious targets to ensure we support our operations with a seamless supply of highly specialised, strategic materials.

2025 saw further restrictions on the export of Gallium and Antimony amongst other key raw materials. Thankfully, IQE’s strategy to strengthen the recycling of such materials and foster new reliable sources over recent years means that a significant portion of these raw materials are now coming from either new or recycled sources.

IQE continues to drive towards a circular economy, in which more waste is recycled and reused whilst our raw materials are manufactured in the most environmentally friendly manner. In 2025, we again recycled 100% of all our Gallium Arsenide and Indium Phosphide wafer waste, converting it back into high-purity raw material that feeds directly back into our supply chains. As part of our Science-Based Targets initiative (SBTi) Net Zero commitments, we are working closely with our supply chain partners supporting the transition to cleaner manufacturing methods, particularly for our bulk gasses and we are making progress in our aim to have all bulk gasses produced from emission-free processes.

Approach to responsible business

Anti-bribery and corruption

IQE maintains a zero-tolerance approach to bribery and corruption. We have an established Anti-bribery and Corruption Policy, which includes guidance on the giving and receiving of gifts and hospitality. A Gifts and Hospitality Register is also maintained to ensure transparency. Our policies are supported by regular employee training.

The key principles we expect everyone to follow include not offering or accepting bribes or improper payments; not improperly influencing any individual; and not participating in any kind of corrupt business activity, either directly or through a third party. Third-party agents and distributors are subject to additional due diligence checks.

Trade compliance

We have policies and processes to ensure we do business in accordance with all applicable trade compliance laws. Our policies and processes are standardised where possible and are regularly audited by our specialist trade compliance team. We engage regularly with relevant government bodies in the UK, US and Taiwan, and their equivalents in other jurisdictions. IQE’s proactive response to geopolitical shifts in recent years has positioned the Group positively to benefit from diverging supply chains.

Inside information and share dealing

We take steps to ensure our compliance with the obligations arising from the AIM Rules, Disclosure and Transparency Rules, the UK Takeover Code (where applicable) and the UK Market Abuse Regulations (‘MAR’) in relation to the dissemination of inside information to the market, which includes our share dealing policy and procedures. We also have our own internal Share Dealing Policy.

We have the right procedures to identify and control access to inside information and, where necessary, to ensure that it is promptly disclosed to the market. We ensure that the Financial Conduct Authority is notified of any delayed disclosure on announcement of inside information to the market. We maintain secure lists of anyone who has access to inside information and ensure that those working for us do the same. We ensure that everyone on those lists is aware of and acknowledges the legal and regulatory duties required of them while on the list.

Whistleblowing

IQE offers staff a confidential reporting mechanism, overseen by the Group’s Chief People Officer & General Counsel, which enables employees to raise concerns of malpractice, non-compliance or unethical conduct. The options for raising concerns are widely communicated to employees and are clearly set out in our Whistleblowing

Policy, including the contact details for the Senior Independent Director and General Counsel. Any whistleblowing reports are confidentially reported to the Audit & Risk Committee.

Intellectual property and confidentiality

Our intellectual property (IP) is an important asset and key to our continued success. We have comprehensive policies and procedures to identify and protect our IP, whether that be through registered or unregistered IP rights.

Maintaining confidentiality is ingrained in our culture. Our policy and practice ensure that all staff fully understand what constitutes confidential information and restrict internal access on a need-to-know basis. Information relating to third parties is not disclosed without the third parties’ written consent.

We have established processes for the negotiation and signing of all confidentiality agreements and employees are able to access our standard templates and training modules.

Human Rights and Anti-Slavery Statement

IQE is committed to respecting the human rights of all those working with or for us. We do not accept any form of child or forced labour and we will not do business with anyone who fails to uphold these standards. IQE has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all of its business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in its business or in any of its supply chains. The Modern Slavery Act addresses the role of businesses in preventing modern slavery within their organisations and in their supply chains. IQE has developed and implemented policies to comply with the requirements of the UK’s Modern Slavery Act and our Anti-Slavery Statement can be found at iqep.com.

Financial sustainability and tax transparency

We ensure compliance with all relevant tax law in all jurisdictions in which the Group operates whilst managing the associated tax costs in a manner that is consistent with our Code of Conduct and its attitude to commercial risk. We seek to maintain stable effective and cash tax rates which reflect the geographic markets in which we operate, and the Group’s tax attributes, such as brought-forward losses and special deductions such as for research and development. We ensure that all communication with tax authorities is conducted in a transparent and professional manner.



People and wellbeing

“After a year of significant change, 2025 saw us make progress in developing our working environment, benefits and career pathways for our teams. The conclusion of our Strategic Review has been positively received and we are looking forward to a positive future.”

Tom Dale
Chief People Officer & General Counsel

We believe that each of our colleagues plays a critical role in our success and the creation of value for our stakeholders. Feedback from our colleagues helped to shape the approach to the development of our culture, wellbeing initiatives and professional development and training opportunities in 2025.

Inclusion and Diversity

IQE’s population is made up of different races, genders, ethnicities, backgrounds, religions and beliefs across our global sites. IQE is committed to providing equal opportunity, fair treatment and inclusion for all, without regard to race, gender, age, religion, ethnicity, identity, sexuality, disability, genetic disposition, neurodiversity, veteran status, perspective, experience or any other aspect which makes an individual unique.

We believe diverse teams bring a complimentary variety of thoughts, skills and perspectives, fostering the collaboration and creativity required to support our customers’ goals. We are endeavouring to support our colleagues with a workplace that encourages them to bring their best selves to work.

In its 2025 report, the FTSE Women Leaders Review found that women accounted for 43% of board roles and 35% of leadership roles in FTSE 350 companies. We are pleased to be leading the way at IQE with women accounting for 57% of our board. The report also noted that there are only 19 women CEOs across the FTSE 350 more broadly, and so we are delighted to have Jutta Meier as IQE’s CEO.

Gender balance across the wider workforce currently sits at 82% male and 18% female. We are striving to increase the proportion of women working at IQE through fair and balanced recruitment practices but have in recent years struggled to identify a sufficient number of female candidates, an issue felt broadly across the engineering and manufacturing sectors.

We are equally committed on supporting a workforce that comes from a proportional representation of ethnic backgrounds and approach this with the same rigour with which we address our gender balance.

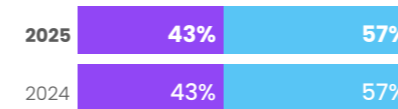
In 2025 we implemented our Group-wide hybrid working policy. We believe that hybrid working – the combination of working in shared IQE workplaces and away from these – benefits our colleagues and our business. We have implemented a policy that provides our colleagues with fairness and consistency in approach, whilst also providing flexibility so that they can balance the different aspects of life with work. Implementation of the policy was supported by our Senior Leaders and engagement by our HR team with the global workforce.

We are seeking to implement cohesive People-related KPIs in 2026 that will support a range of activities including workforce planning, employee satisfaction and wellbeing, and to support management decision-making. A key component of these KPIs will be the development of inclusion and diversity targets.

Gender diversity

● Female
● Male

Board level



Group-level recruitment



Group level



Senior leadership team



“2025 saw the implementation of our Global Menopause Policy and Menopause Toolkit, together with education, adjustment planning tools and training for our people managers. We are committed to creating menopause-friendly workplaces and ensuring that anyone going through the menopause feels safe, is treated fairly and is provided with the support that they need.”

Beki Green
People & Culture Director

Wellbeing

Taking into consideration the challenging year our employees experienced in 2025, we implemented a comprehensive engagement calendar celebrating and supporting events such as Diwali, Movember, International Women’s Day, Halloween, Breast Cancer Awareness and Black History Month, to name just a few. Each event represents an opportunity to bring our people together, supporting a positive and collaborative working environment. We also recognised Mental Health Awareness Week, guiding our employees to available resources and providing on-site mental health support.

Communication and transparency

The Group has progressed through a period of significant change in recent years, and our colleagues have been consistent in asking for regular and transparent communication from the Executive Leadership Team (ELT). We have successfully developed our approach to all-employee Townhalls, where the ELT provide key business updates against a range of topics focused around a consistent core agenda. An important part of our Townhalls is to celebrate successes across the Group, providing all of our employees with the opportunity to recognise and be recognised. Each Townhall is supported by an interactive Q&A session and an open ‘ask me anything’ approach. We have also started to use regular ‘Pulse’ surveys and will be rolling these out on a quarterly basis through 2026, with the feedback from those surveys and related actions shared with our people.

2025 also saw a restart for our Women’s Network and People Forum. Both are important networks within IQE and responsible for leading inclusive and people-first initiatives, as well as for ensuring that voices from across our business are heard.

Learning and development

Our learning and development strategy is focused on developing the capabilities, skills and competencies of our site-based teams. We have also spent time looking at single points of failure and areas of resource scarcity to assist with the retention of key talent, particularly in our site operational teams. Our HR and Operations teams successfully completed a multi-site role alignment project in 2025 that will be used in 2026 as the foundation for establishing our career pathways in operations and the learning and development needed to progress. We are excited by the clarity that this will provide to our operational teams and the structure to their learning and development.

We also continued to invest in the development of our employees with a Six Sigma Black Belt qualification, with 21 employees completing Black Belt and three completing Green Belt in 2025.

Responsible business *continued*

Communities and social review

IQE's commitment to community and social responsibility has been an integral part of our operations over our three decade heritage. Throughout 2025 we continued to invest in our people and support our local communities while promoting education, sustainability and responsible business operations.

Giving Something Back

IQE employees are entitled to one full or two half days volunteering leave annually. We are focused on a global approach to giving, but with local execution, making sure we are supporting the engagements and initiatives that mean the most to our people and their communities.

Organisations that our employees supported through Giving Something Back included:

- Cardiff Dog's Home
- Duffryn Community
- Habitat for Humanity
- Cancer Research UK
- Commonwealth War Graves Commission (CWGC)
- Special Olympics
- Age Connects
- Macmillan
- North Carolina A&T University
- Healing the Roots
- Oak Ridge Elementary
- Carolina Cardinals Softball

Inspire the Next Generation Day

Our global sites came together to host Inspire the Next Generation Day, giving young people an exciting opportunity to explore the world of compound semiconductors at IQE. From hands-on experiments and site tours to engaging conversations with our engineers, the day offered a real-world glimpse into the science behind our technology. It was a day filled with curiosity and creativity, showing how experiences like these can ignite a passion for Science, Technology, Engineering and Mathematics (STEM) and inspire the innovators of tomorrow.

Support of local sports teams

- Penllwyn Primary School – Football Team
- Abergavenny Hockey Club
- Newport Girls Cricket Academy & Newport Women's Cricket Development Team
- Carolina Cardinals Elite and Triad Youth Athletic Association

Movember

In support of men's mental health, our employees participated in Movember by growing moustaches and getting active. This is a global movement tackling the big health issues men face, including mental health and suicide prevention and cancer. We collectively clocked up 1,099km (walking, running, cycling, and swimming our way to better health) and raised funds along the way.

Intellectual Property

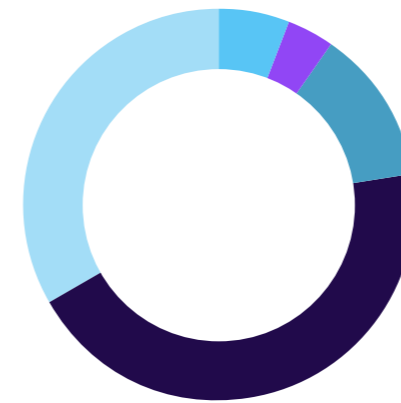
IQE's technology is underpinned by our intellectual property (IP) portfolio. 2025 saw further streamlining of our portfolio to better match our strategic aims and technology projects. We have around 80 granted patents, with 2025 yielding 16 new grants and five new patent applications. We have a strong development pipeline with our portfolio growth targeted to support IQE's roadmap.

Our patents cover all our technology development areas and are increasingly aligned to our growth strategy in GaN technologies for power and microLEDs. The portfolio is also aligned to our major markets: Aerospace and Defence,

AI and Data Centres, Automotive & Industrial, Communication Infrastructure and Consumer Electronics. With rigorous internal processes to identify and review inventions in our teams, we are able to harvest inventions efficiently and to make strategic decisions over those that we protect by patent and those we protect by trade secrets and confidentiality.

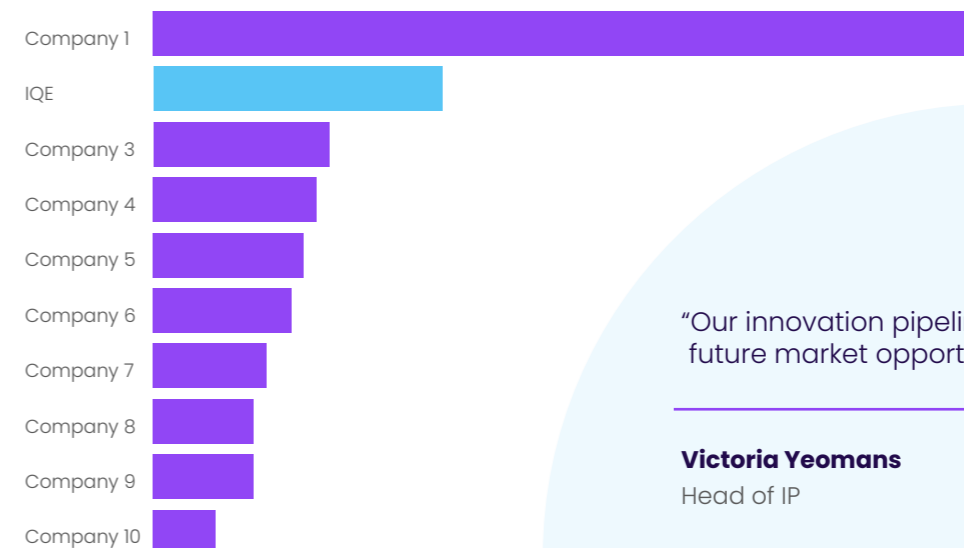
We are proud that IQE remains second in the list of companies filing patents in the UK in the H01L technical classification (semiconductor devices) in 2025.

Our IP is aligned to our capabilities and market vertical



- Aerospace and Defence
- AI and Data Centres
- Automotive & Industrial
- Communications Infrastructure
- Consumer Electronics

IQE was the second biggest UK patent filer in the semiconductor devices category in 2025



"Our innovation pipeline is targeted to secure future market opportunities."

Victoria Yeomans
Head of IP

Health, Safety, Security and Environmental (HSSE) review

Overview

2025 marked another significant year in IQE's ongoing HSSE transformation, with continued systemic improvements delivered across the Group. We strengthened our culture, processes and governance frameworks, contributing to a further reduction in overall injuries. While this represents meaningful progress, it was disappointing that two incidents resulted in lost time for colleagues. These events underscore the importance of our continued efforts and reinforce our commitment to ensuring a safe and healthy working environment for everyone at IQE.

Our ambition remains clear and unwavering: to achieve zero harm. This includes zero injuries, zero significant safety events, zero environmental breaches, and the prevention of work-related ill health. To support this ambition, we have

Drive to World Class

To drive the journey to World Class performance, we continue to focus on our six key pillars which are critical to achieving our vision:

- 1 **Visible Leadership** – increase the visibility and engagement of leadership to help develop a positive culture
- 2 **Governance** – implemented, robust governance processes for HSSE
- 3 **Compliance Assurance** – implementing robust compliance assurance processes
- 4 **Competence** – deploying a framework for demonstrable competence at all organisational levels
- 5 **Learning Organisation** – deploying a framework to support sharing and learning from events and best practices across the organisation
- 6 **Continuous Improvement** – actively seek out best practices internally and externally to drive continuous improvement across HSSE. We will also regularly review our existing processes to identify opportunities for improvement.

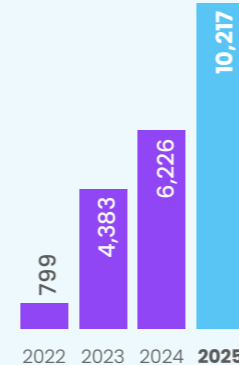
2025 Performance



Near miss/ Opportunities for improvement



Positive safety conversations



continued to advance the implementation of our Process Safety Management System, leveraging its principles not only to strengthen process safety controls but also to align and reinforce messaging across all HSSE disciplines.

Our leadership team further supported this cultural journey through visible, consistent communication, reinforcing the message that *“nothing you do on site today will be as important as going home to your loved ones safe and healthy.”* This commitment is proudly displayed at the entrance of each IQE facility and reflects our collective focus.

Our environmental stewardship agenda also made significant progress during the year. Building on the successful validation of IQE's science-based targets in 2024, we identified key areas where we can deliver measurable climate action and have begun to make meaningful advancements. We also secured a further year of certification to ISO 14064-1, demonstrating the accuracy and robustness of our Group-wide greenhouse gas emissions inventory. These achievements underpin our long-term sustainability objectives and reinforce our commitment to transparent and credible environmental reporting.

In parallel, the integration of Security into the Group HSSE function was fully embedded during 2025. This alignment has enabled a more cohesive and efficient approach to risk management, strengthening our capabilities and enhancing our focus on proactive security improvement initiatives.

Throughout the year, we continued to implement a comprehensive suite of health and safety improvement programmes at pace. These encompassed enhancements to management systems, training, governance, and assurance processes. Collectively,

these initiatives ensure that our HSSE framework remains robust, agile, and aligned with IQE's strategic growth plans.

We remain firmly committed to continuous improvement across all HSSE disciplines aligned to our key pillars as we support the safe, secure, and sustainable growth of IQE.

Health and Safety Performance

Proactive interactions

During the year, the Group intensified its focus on strengthening positive, respectful and proactive engagement, together with enhanced active reporting, as core enablers of improved HSSE performance.

Following the appointment of the new leadership team, particular emphasis was placed on further developing IQE's safety culture. Clear expectations were communicated across all levels of the organisation to embed the 'three questions' approach, using positive safety conversations to encourage constructive, respectful challenge. This initiative supports our commitment to ensuring that all colleagues return home safe and healthy.

This renewed focus delivered measurable progress. The number of positive HSSE conversations increased by 3,993 during the year, alongside more than 200 additional improvement opportunities raised. These outcomes represent a significant strengthening of visible leadership and employee engagement which are key components of a mature and resilient safety culture.

2025 performance

Although we recorded positive progress in several key indicators relating to the Health and Safety of our colleagues and contractor partners, our 2025 performance was tempered by two lost time injuries (LTIs) that occurred during the year. The first LTI involved a colleague who sustained bruising to the foot after a portable step fell during handling. The second incident occurred when a piece of cleaned pipework experienced a reaction due to residual material, resulting in non-permanent burns to the affected individual. We deeply regret both incidents. Any injury to a member of our workforce is unacceptable and we have fully investigated both incidents and remain firmly committed to identifying lessons learned and implementing corrective measures to prevent recurrence across the Group.

Despite these incidents, overall safety performance showed encouraging improvement. The total number of recorded injuries, including LTIs, reduced to 12 for the year, reflecting meaningful progress and demonstrating the positive impact of our continued focus on proactive hazard identification, enhanced reporting, and strengthened engagement across our sites.

Our HSSE framework

Positive safety conversations
Before you start your job, ask:

- 1 **Identify** – Do we know what can go wrong?
- 2 **Barrier** – Do we know what barriers we have to ensure it doesn't go wrong?
- 3 **Effective** – Do we know that our barriers are effective and working properly?

Nothing is more important than going home safe.

IQE **zero** is possible

Responsible business *continued*

Environmental performance

Performance overview

In 2025 we recorded zero reportable environmental incidents, consistent with 2024 and 2023, reflecting continued strength in compliance and operational controls. Non-reportable incidents reduced to three, an improvement from four in 2024 and a slight increase on two in 2023, demonstrating overall stability year-on-year.

Proactive reporting continued to trend positively. Environmental Near Misses and Opportunities for Improvement (NM/OFI) rose to 154 in 2025 (from 135 in 2024 and 133 in 2023), with the average per site increasing to 19.25 (from 15 in 2024 and 13 in 2023). This growth in leading-indicator reporting is a positive signal of an engaged and maturing environmental culture, supporting earlier remediation and prevention of issues. All NM/OFIs raised during the year were investigated and addressed to mitigate recurrence.

Certification

All environmental-related certifications were successfully renewed in 2025, with audits concluded positively.

	2023	2024	2025
Environmental incidents (Reportable)	0	0	0
Environmental incidents (Not reportable)	2	4	3
NM/OFI environmental	133	135	154
Average per site	13	15	19

Science-Based Targets

In October 2024 we secured approval of our science-based targets to reduce our greenhouse gas emissions in line with the SBTi Net Zero Standard, which seeks to limit global warming to 1.5°C. The SBTi's Target Validation Team has classified IQE's near and long-term targets as in line with this ambition and has also verified IQE's mitigation pathways for reaching Net Zero by 2050 or sooner.

IQE's validated near-term targets are:

- IQE commits to reduce absolute Scope 1 and 2 GHG emissions 42% by 2030 from our 2021 base year.
- IQE commits to reduce absolute Scope 3 GHG emissions from fuel- and energy-related activities 55% by 2030 from our 2021 base year.
- IQE commits that 85% of its suppliers by emissions covering purchased goods and services, will have science-based targets by 2028.
- IQE commits that 60% of its customers by revenue covering processing of sold products, will have science-based targets by 2028.

As part of this journey, IQE has committed to publishing an annual update on our complete, Group-wide emissions footprint and our progress against our validated targets.

Emissions performance

2025 was our first year since receiving approval on our SBTi targets, and this has resulted in a more comprehensive emissions inventory being undertaken. Consequently, we have seen an increase in figures for both 2024 and 2025. We also reviewed our 2021 emissions baseline figure in line with the SBTi initiative and in light of more accurate data capture, also resulting in a restated increased figure.

Emissions Category	tonnes CO ₂ e			
	2021	2024	2025	% Diff
Scope 1	3,688	3,455	3,290	-11%
Scope 2	20,084	14,328	12,588	-37%
S3 C1 – Purchased Goods & Services	41,258	41,082	26,525	-36%
S3 C2 – Capital Goods	3,797	1,685	1,767	-53%
S3 C3 – Fuel- & Energy-Related Activities	6,070	5,036	4,661	-23%
S3 C4 – Upstream Transportation & Distribution	434	263	169	-61%
S3 C5 – Waste Generated in Operations	94	36	30	-68%
S3 C6 – Business Travel	64	505	301	370%
S3 C7 – Employee Commuting	165	113	168	2%
S3 C8 – Upstream Leased Assets	0	0	0	
S3 C9 – Downstream Transportation & Distribution	360	282	228	-37%
S3 C10 – Processing of Sold Products	11,925	9,491	7,661	-36%
S3 C11 – Use of Sold Products	1,378	1,078	870	-37%
S3 C12 – End-of-Life Treatment of Sold Products	759	489	254	-67%
S3 C13 – Downstream Leased Assets	0	0	0	
S3 C14 – Franchises	0	0	0	
S3 C15 – Investments	0	0	0	
Total:	90,076	77,843	58,512	

	2025
Emissions Intensity (Operating revenue/gross tCO ₂ e) (£m)	669.77

Energy consumption summary (kWh)	2024	2025
Natural gas	17,315,611*	17,614,095
Electricity	49,858,608	45,183,248

* 2024 figure restatement due to alignment of metrics.

Waste generation (tonnes)	2024	2025
Landfill (non-hazardous) to land	49	42
Recycled	1,377	1,670
Hazardous	203	208
Energy (incineration)	25	38
Total Waste:	1,654	1,958

Total water use volume and sources (cubic metres)	2024	2025
Municipal supply	78,724	87,200
Recycled water	3,057	3,409
Purchased water	756	540
Total water used:	82,537	91,149

Progress against targets

Emissions Category	tonnes CO ₂ e			
	2021	2024	2025	% Diff
Scope 1	3,688	3,455	3,290	-11%
Scope 2	20,084	14,328	12,588	-37%
Total Scope 1 & 2	23,772	17,783	15,878	-33%

IQE commits to reduce absolute Scope 1 and 2 GHG emissions 42% by 2030 from our 2021 base year.

By the end of 2025, we achieved a 33% reduction in our combined Scope 1 and 2 emissions compared to our 2021 baseline. This progress has been driven by organisational restructuring and enhanced operational efficiencies across our sites. While we are encouraged by this significant progress towards our 2030 target of a 42% reduction, we recognise that recent structural changes may necessitate a reassessment of our baseline. This will be reviewed in detail during 2026.

Looking ahead, we will continue to advance our decarbonisation efforts through the transition to renewable energy sources and ongoing improvements in operational efficiency.

Emissions Category	tonnes CO ₂ e			
	2021	2024	2025	% Diff
S3 C3 – Fuel- & Energy-Related Activities	6,070	5,036	4,661	-23%

IQE commits to reduce absolute Scope 3 GHG emissions from fuel and energy-related activities 55% by 2030 from our 2021 base year.

In parallel with the reductions achieved in our Scope 1 and 2 emissions, we have also observed a 23% decrease in our Scope 3 Category 3 emissions (fuel and energy-related

activities). This reduction has been influenced by similar factors, including organisational restructuring and continued improvements in operational efficiency across our sites.

Emissions Category	tonnes CO ₂ e			
	2021	2024	2025	% Diff
S3 C1 – Purchased Goods & Services	41,258	41,082	26,525	-36%
S3 C10 – Processing of Sold Products	11,925	9,491	7,661	-36%

IQE commits that 85% of its suppliers by emissions covering purchased goods and services, will have science-based targets by 2028.

IQE commits that 60% of its customers by revenue covering processing of sold products, will have science-based targets by 2028.

As part of our commitment to aligning our entire value chain with a 1.5°C pathway, we have begun engaging with both our suppliers and customers to assess their current emissions profiles and climate targets. This engagement will enable us to better understand the proportion of our suppliers (by emissions) and customers (by revenue) that have set, or plan to set, science-based targets.

Our approach and appetite for risk

We recognise risk as an inherent and changing part of our business and we approach risk with the same deliberate, strategic consideration as other aspects of the business. The effective management of risk contributes significantly to the successful delivery of the Group's strategic plans and objectives. The Group Risk Committee monitors the overall risk environment at each meeting and the Audit & Risk Committee reviews the Group's financial controls and systems that identify, assess, manage and monitor financial risks, and our other internal control and risk management systems. The Audit and Risk Committee spent a significant amount of time in 2024 reviewing the Group's financial controls following feedback from the Group's auditors KPMG. The Committee is satisfied that significant progress has been made, as evidenced by the Committee's work in this area with the Finance Team in 2025. Feedback from KPMG continued to be positive and this was reflected in their dialogue and discussions with

the Committee during the financial year. The Board is responsible for the overall stewardship of risk management and internal control.

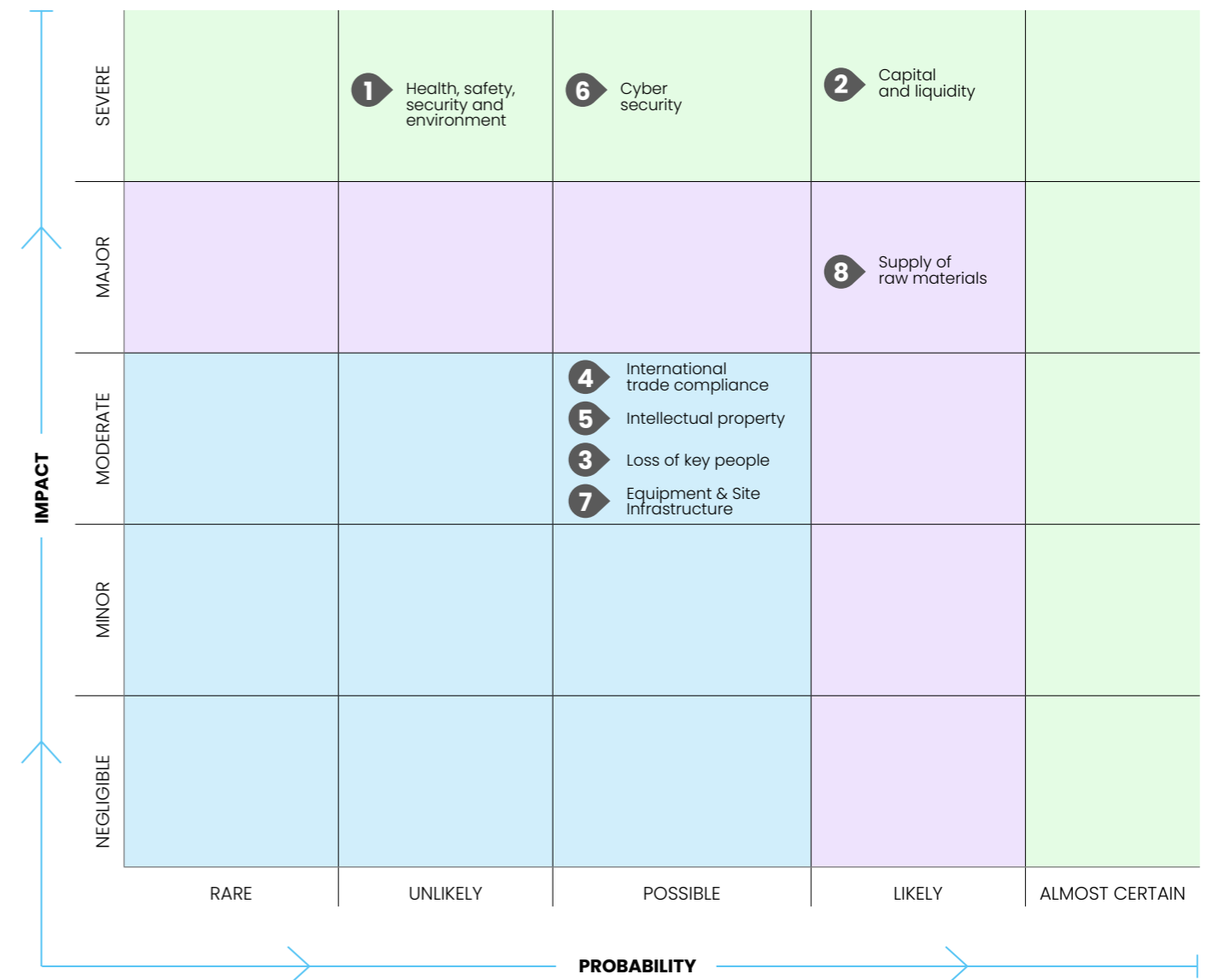
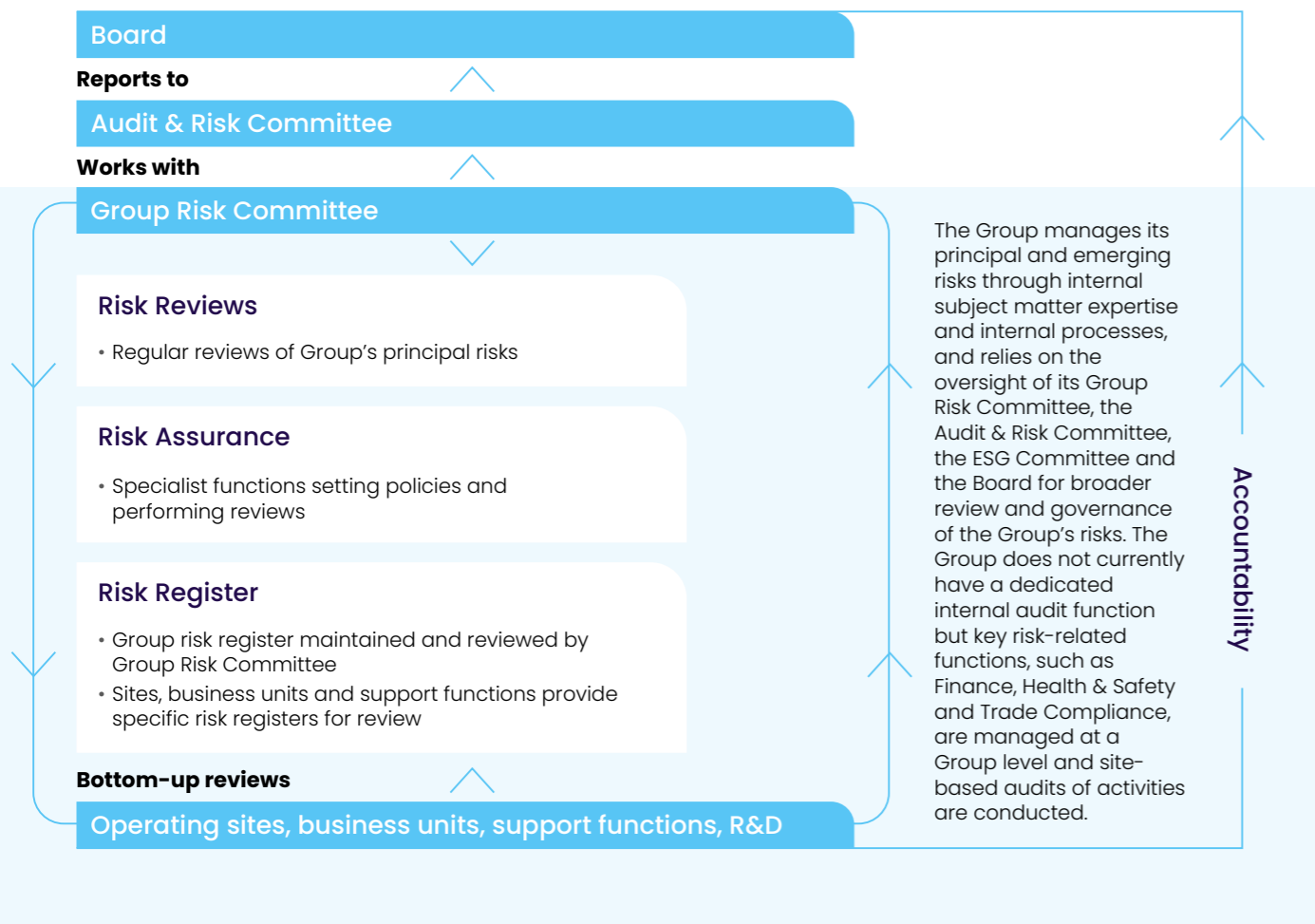
The primary focus in 2025 has been on addressing the Group's continued financial uncertainty and in delivering a business which can take advantage of several global macroeconomic megatrends which are aligned with the Group's technology and product portfolio. The Group has taken several mitigating measures throughout 2025 to improve the Group's financial position, including the convertible loan note fundraising in March, securing bank covenant waivers and continuing to minimise costs and expenditures.

The Group Risk Committee is responsible for the maintenance and regular updating of a risk register which articulates the Group's principal risks and the actions being taken to address those risks. The risk register

is in a standardised format and includes the likelihood of a risk materialising, and an assessment of that risk both before and after the Group's mitigation activities. We have a low appetite for risks that could lead to health, safety, environmental, legal or regulatory breaches. Conversely, we have a higher appetite for economic and political instability risks given our experience in volatile markets and the degree of mitigation provided by the Group's geographic reach. We recognise the need to take risks in new areas for growth, while maintaining effective controls and compliance with laws and regulations. In 2026 we intend to enhance our assessment of principal risks through the inclusion of measures more formally covering risk appetite and risk velocity.

Principal risks and uncertainties

We have mapped the Group's principal risks and uncertainties to a probability and impact matrix to assist meaningful comparison of the relative importance of those principal risks and uncertainties. We have then included arrows to indicate the change in the risk in comparison to the prior year's assessment. We have used the residual risk for the purposes of this mapping exercise, being the probability of the risk occurring and the potential impact it may have, taking into account any mitigating actions that will be implemented. The most significant risks are shown towards the top right quadrant of the chart.



Risk management *continued*

1 Health, Safety, Security and Environment ⬇️ ⬅️ ⬆️

Context	The Group operates a number of manufacturing sites which utilise potentially harmful gases, materials and equipment.
Risk	<ul style="list-style-type: none"> Major incident at an IQE site
Possible impact	<ul style="list-style-type: none"> Injuries and potential loss of life Environmental harm (MATTE) Loss or suspension of required permits Disruption to operations and business activities Reputational damage
Mitigation	<ul style="list-style-type: none"> Health and safety strategy aligned with the business' cultural development Strong internal controls, including technical and engineering controls, focusing on process safety methodologies Focus on process safety, barrier management and layered protection Continuous improvement of management systems Continuous auditing and monitoring of productions processes and equipment
Change in the year	<ul style="list-style-type: none"> No change

2 Capital and liquidity ⬆️ ⬅️ ⬇️

Context	The Group's financial strength has been severely impacted by the prolonged semiconductor industry-wide downturn and inventory correction cycle across key sectors, broader macroeconomic factors and the delayed market adoption of new technologies.
Risk	<ul style="list-style-type: none"> Increased risk during the reporting period, however following the conclusion of the Strategic Review and completion of the Fundraise announced in May 2026, this risk is now decreased
Possible impact	<ul style="list-style-type: none"> Damage to business operations Breach of banking covenants Financial loss Reputational damage Insolvency
Mitigation	<ul style="list-style-type: none"> Conclusion of Strategic Review and completion of the £81m Fundraise after the reporting period is anticipated to address capital and liquidity shortfalls Refinancing of existing debt facilities Bank covenant waivers or amendments Cost management and cost deferral
Change in the year	<ul style="list-style-type: none"> Increased risk

3 Loss of key people ⬇️ ⬅️ ⬆️

Context	IQE's people are fundamental to its future success and IQE 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.
Risk	<ul style="list-style-type: none"> Loss of key human capital capabilities Inability to attract talent
Possible impact	<ul style="list-style-type: none"> Inability to meet business demands Wage inflation
Mitigation	<ul style="list-style-type: none"> Development and maintenance of a positive company culture and focus on employee wellbeing Regular workforce planning including talent reviews, with a focus on high potential, high risk and single points of failure People development and retention plans Compensation to market reviews
Change in the year	<ul style="list-style-type: none"> No change

4 International trade compliance ⬇️ ⬅️ ⬆️

Context	IQE operates across multiple jurisdictions in a highly regulated industry impacted by extra-jurisdictional controls on products, software and technology.
Risk	<ul style="list-style-type: none"> Failure to comply with international export control laws
Possible impact	<ul style="list-style-type: none"> Significant regulatory fines and penalties Financial loss Damage to reputation
Mitigation	<ul style="list-style-type: none"> Group-wide technology control plans Appropriate separation of duties and SME auditing Employee training Group-wide policies and processes to identify end use and end user Development of products and technology that are not impacted by international export controls
Change in the year	<ul style="list-style-type: none"> No change

Key:	Probability	⬇️ Rare ⬇️ Unlikely ⬅️ Possible ⬆️ Likely ⬆️ Almost certain
	Trend	⬆️ Increased risk ⬇️ Decreased risk ⬅️ No change to risk ⬆️ New risk
	Impact	⬇️ Negligible ⬅️ Minor ⬆️ Moderate ⬆️ Major ⬆️ Severe

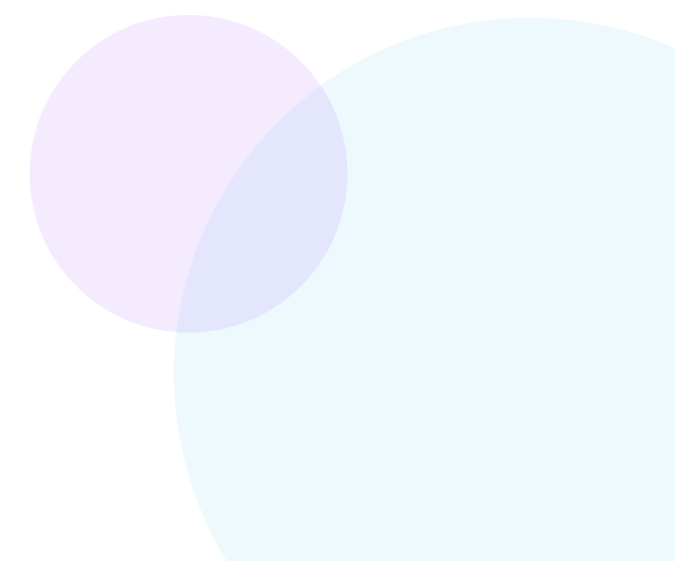
5 Intellectual property ⬇️ ⬅️ ➡️	
Context	The semiconductor industry is highly competitive with competing intellectual property rights in the major jurisdictions.
Risk	<ul style="list-style-type: none"> IQE infringes the intellectual property rights of a third party A third party infringes, or without authorisation obtains, IQE's intellectual property rights
Possible impact	<ul style="list-style-type: none"> Loss of competitive position Financial loss Significant legal costs Reputational damage
Mitigation	<ul style="list-style-type: none"> Implementation of robust terms and conditions to protect IQE's intellectual property rights Employee training on intellectual property rights and protecting confidential information Implementation of intellectual property strategies aligned to the Group's business strategy
Change in the year	<ul style="list-style-type: none"> No change

6 Cyber security ⬇️ ⬆️ ⬇️	
Context	The Group operates across multiple jurisdictions in an industry which is the subject of significant geopolitical focus.
Risk	Cyber security risks include theft of information, malware, ransomware and compliance with evolving statutory and legislative requirements. Risks may manifest through a direct attack on our business or through our supply chain.
Possible impact	<ul style="list-style-type: none"> System failure, data loss and sustained disruption to production operations Loss of business-critical data Financial and reputational damage
Mitigation	<ul style="list-style-type: none"> Technical protection through active scanning and monitoring of the Group's internal and external network User training to improve cyber security knowledge Periodic testing Upgrading of aged IT infrastructure and devices Network separation
Change in the year	<ul style="list-style-type: none"> Increased risk

7 Equipment and site infrastructure ⬇️ ⬆️ ➡️	
Context	The Group's facilities operate ageing capital equipment which require modernisation.
Risk	<ul style="list-style-type: none"> Disruption to manufacturing or technology operations from equipment breakdown and unplanned maintenance Growing investment backlog
Possible impact	<ul style="list-style-type: none"> Delay in meeting customer orders Unplanned maintenance costs and capex Inability to meet product specification or quality requirements
Mitigation	<ul style="list-style-type: none"> Secure funding for modernisation programme Identification and prioritisation of investment needs Reactor and other equipment operation and maintenance and redundancy planning
Change in the year	<ul style="list-style-type: none"> New principle risk

8 Supply of raw materials ⬆️ ⬆️ ⬆️	
Context	Geopolitical tensions have resulted in a specific risk for IQE relating to the supply of critical compound semiconductor raw materials such as Gallium, Indium, Antimony and Germanium, including substrates incorporating those materials.
Risk	<ul style="list-style-type: none"> Increased pricing for raw materials and substrates incorporating raw materials Supply chain disruption due to the imposition of export controls and/or global supply shortages Inability or delay in servicing customer orders
Possible impact	<ul style="list-style-type: none"> Reduction in profit margin if cost increases cannot be passed on to customers Manufacturing disruption due to supply shortages, potentially resulting in reduced revenue Delay in revenue realisation
Mitigation	<ul style="list-style-type: none"> Inventory building of key raw materials Working with suppliers to ensure inventory build of substrates Engagement with relevant government bodies and alternative material suppliers, specifically suppliers outside of China Long-term supply agreements to mitigate pricing fluctuations
Change in the year	<ul style="list-style-type: none"> No change

Key:	Probability	⬇️ Rare ⬇️ Unlikely ⬆️ Possible ⬆️ Likely ⬆️ Almost certain
	Trend	⬆️ Increased risk ⬆️ Decreased risk ⬆️ No change to risk ⬆️ New risk
	Impact	⬆️ Negligible ⬆️ Minor ⬆️ Moderate ⬆️ Major ⬆️ Severe



Viability statement

As required by Provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the Company's prospects over a five-year period. In forming this view, the Board considered the Group's current financial position, its business strategy and the outcomes of a robust assessment of the emerging and principal risks facing the Group (see pages 42 to 47).

The Board considers a five-year assessment period appropriate given the Group's strategic planning horizon and the nature of its principal risks. Forecasts relating to demand for the development, qualification and production of compound semiconductor wafers are also considered reasonably reliable over this timeframe. The key criterion for evaluating the Group's viability is its ability to maintain a net cash position or, where applicable, to operate within agreed debt arrangements, providing assurance that the Group can meet its liabilities as they fall due.

Although all risks described on pages 44 to 47 have been considered, the Directors focused on those most likely to threaten the Group's business model, future performance, solvency and liquidity. In particular, the Board considered:

- **The Group's current trading performance**, which has remained subdued due to continued weakness in customer demand across key markets, resulting in lower order intake and sustained financial underperformance.
- **The Group's liquidity position**, including its ability to comply with covenants associated with existing debt facilities and its capacity to renew, refinance or repay facilities maturing within the assessment period.

The Group's subdued trading performance over the past three years, driven by prolonged weakness in customer demand and broader macroeconomic and geopolitical uncertainty, has resulted in a loss for the year of £36,695,000 which has contributed to an increase in net debt (excluding lease liabilities and fair value movements on derivative instruments) to £31,484,000 and placed increasing pressure on the Group's compliance with its bank debt covenants and its capacity to renew, refinance or repay facilities that mature within the assessment period. Reflecting these pressures, the Directors initiated a Strategic Review of the business in H2 2024 and took proactive steps throughout 2025 to reinforce liquidity and strengthen the Group's financial position whilst the Strategic Review was ongoing.

In response to these pressures, the Directors have implemented measures to stabilise the Group's short-term liquidity. These include completion of a £18,000,000 convertible loan note fundraise on 10 March 2025, agreement of a Deed of Amendment and Restatement to the Group's £25,900,000 (\$35,000,000) multi-currency revolving credit facility ('RCF'), and the formal waiver

of financial covenant tests associated with the RCF on 30 September 2025 and 31 December 2025. Collectively, these actions have strengthened and maintained the Group's liquidity position whilst the Strategic Review progressed.

A core objective of the Strategic Review was to identify and pursue strategic options capable of generating sufficient proceeds to repay the RCF and the existing convertible loan notes, thereby establishing a more sustainable capital structure and enabling continued investment in core operations.

On 28 May 2026, the Group completed a financing raising gross proceeds of approximately £81,000,000, marking the completion of the Strategic Review.

The Fundraising comprises a subscription for new ordinary shares by a strategic investor, MACOM Technology Solutions Holdings Inc, raising approximately £30,000,000, a placing and retail offer of new ordinary shares raising approximately £13,000,000, the issue of £15,000,000 new convertible loan notes to MACOM Technology Solutions Holdings Inc, and the restructuring of the Company's existing convertible loan notes where, holders of the existing convertible loan notes agreed to the redemption of their holdings. Approximately £23,000,000 of the amounts due on redemption was reinvested in new ordinary shares at the issue price, with the balance settled in cash.

The Fundraising has resulted in a significant net cash position for the Group with the net proceeds used to repay the Group's existing RCF bank debt, support the Group's working capital requirements and ongoing strategic investment, and significantly strengthen the Group's overall financial position.

In parallel with the Strategic Review and Fundraise, the Directors have continued to progress several initiatives to streamline the cost base, optimise the manufacturing footprint and invest in capacity and technology aligned to future GaN-related growth:

- **Cost rationalisation** is focused on labour efficiency measures, operational efficiency programmes across manufacturing and ongoing targeted reductions in discretionary expenditure.
- **Manufacturing repositioning and consolidation** is centred on bringing the Group's South Wales operations together at its Newport site. This initiative is expected to deliver operational efficiencies, enhance utilisation of core assets, and support medium- to long-term margin improvement. The process has already begun with the closure of the Group's South Wales silicon-focused facility.

- **Selective investment** is directed toward GaN technology development and manufacturing capacity at the Group's Newport (UK) and Massachusetts (US) sites, supporting its strategic objectives and technology roadmap. The commissioning of additional GaN reactors, together with ongoing technology development, provides the capacity needed to enable the planned expansion into advanced display and power electronics markets.

As part of its viability assessment, the Board has undertaken detailed stress testing and scenario analysis. This work included a severe but plausible downside scenario reflecting the continuation of a protracted period of weak customer demand, together with a reverse stress test extending across the five-year assessment period. The analyses incorporate the actions taken to strengthen the Group's balance sheet and assumes a successful completion of the Fundraise, generating proceeds sufficient to repay existing debt and fund working capital and planned investment in core operations. The Directors have approved a strategy to grow and diversify revenues over the five-year period and they remain confident in the Group's future prospects in light of the Fundraise.

Based on the assessment outlined above, including the results of the stress testing and scenario analysis, and taking into account the actions undertaken to strengthen the Group's liquidity and financial position, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year assessment period to 31 December 2030.



Mark Cubitt
Chair

28 May 2026





Governance
Report

Leading the way



Mark Cubitt (63)

Chair



Mark Cubitt joined the IQE Board on 8 October 2024 and was Executive Chair from October 2024 to April 2026.

Mark is an accountant and has been the Non-Executive Chair of both AIM-listed Beeks Financial Cloud Group plc since 2016 and also Concurrent Technologies plc since 2020. Previously, Mark was the CFO of Wolfson Microelectronics Plc for eight years from 2007 to 2014, and also Non-Executive Chair of Superglass Holdings Plc in 2015 and 2016. He has also served as VP of Finance at Jacobs Engineering and was Finance Director of Babbie Group Ltd until the sale of the company to Jacobs Engineering in 2004, when he then took up a wider finance role within Jacobs.



Jutta Meier (60)

Chief Executive Officer and Chief Financial Officer

Jutta Meier joined IQE as Chief Financial Officer in January 2024 and became Chief Executive Officer on 29 October 2024.

Jutta is an experienced executive who has held senior positions at global semiconductor companies for over 25 years. Jutta became Chief Executive Officer in May 2025. She joined IQE as Chief Financial Officer in January 2024 from Intel Corporation, where she served as a Senior Finance Director at Intel Foundry Services, supporting Intel's Foundry business transformation. Prior to joining Intel, Jutta served as Vice President of Finance at GlobalFoundries Inc, a global leader in semiconductor manufacturing and she also held various positions at Advanced Micro Devices Inc. (AMD), a multinational semiconductor company. She holds an MBA from Technische Universität Dresden.



Carol Chesney FCA (63)

Senior Independent Director



Carol Chesney joined IQE's Board in May 2019 and was appointed as Senior Independent Director in November 2020.

With a wealth of Board experience, Carol also serves as a Non-Executive Director and Audit Chair for Hunting plc, Hill & Smith plc and Imagination Technologies Group Limited. Previously she was Non-Executive Director and Chair of the Audit Committee of Renishaw plc and Biffa plc.

Until 2018 Carol served as the Company Secretary of Halma plc, a FTSE 100 health, safety and environmental technology group, having also served as the group's Financial Controller.

Carol is a Fellow of the Institute of Chartered Accountants in England and Wales, and qualified with Arthur Andersen in the UK.

Key for Committee membership

- A** Audit & Risk Committee
- R** Remuneration Committee
- N** Nomination Committee
- E** Environmental, Social & Governance Committee
- Chair of Committee



Victoria Hull (63)

Non-Executive Director



Victoria Hull joined IQE as a Non-Executive Director in August 2021. An experienced Non-Executive Director, Victoria Hull currently serves Non-Executive Directorship and Committee roles for a variety of listed companies.

Victoria is the Senior Independent Director and Chair of Hikma Pharmaceuticals plc, as well as Chair of the Hikma Nomination and Governance Committees. Victoria is also a Non-Executive Director and Chair of the Remuneration Committee of IMI plc, as well as Non-Executive Director and Chair of the Remuneration Committee of Serco plc.

Prior to these appointments, Ms Hull held an executive directorship at Invensys, now Schneider Electric. Having worked in a variety of global companies at Executive Committee or Board level, she brings an extensive understanding of legal, commercial and governance matters. Victoria has a strong background in corporate finance and began her career as a trainee solicitor at Clifford Chance LLP.



Harmesh Suniara (55)*

Non-Executive Director

Harmesh Suniara has over 15 years' experience of working in investment management, with a particular focus on UK small and mid-cap equities including the technology and life sciences sectors.

Harmesh brings a wealth of expertise in active engagement with companies that Lombard Odier has invested in, joining IQE's Board in June 2023. Since 2017 he has worked as a Portfolio Manager at Lombard Odier 1798 Volantis, and prior to this he was an Investment Manager at Henderson Volantis Capital and Gartmore Investment Management. Lombard Odier 1798 Volantis is a major shareholder in IQE.

* Harmesh Suniara stepped down from IQE's Board on 27 April 2026 following the conclusion of the Group's Strategic Review.



Bami Bastani (72)

Non-Executive Director



Bami Bastani has a wealth of experience in the semiconductor industry.

Bami joined IQE's Board in January 2024 after spending seven years at GlobalFoundries, first as Senior VP and GM of the Mobile & Wireless Infrastructure Business Unit and then as Senior VP and Senior Advisor to the CEO, as well as GlobalFoundries' Board member at the Global Semiconductor Alliance (GSA). Prior to GlobalFoundries, Bami held President, CEO and Board member roles at Meru Networks, Trident Microsystems and ANADIGICS. Bami brings over 42 years of semiconductor industry experience in conjunction with over 20 years of experience serving on the Boards of Directors of public and private companies. He holds a PhD and a Master of Science in Solid State Electronics from The Ohio State University and a Bachelor of Science in Electrical Engineering from University of Arkansas.



Maria Marced (71)

Non-Executive Director



Maria Marced is a highly experienced executive within the semiconductor sector.

Maria currently serves on several Boards including CEVA and Sequans Communications and is the Chairwoman of the GSA EMEA Leadership Council.

Maria was the President of TSMC Europe from November 2007 until December 2023 and was responsible for the strategy and management of TSMC Europe and leading the decision of TSMC on the EU fab.

Maria joined Philips Semiconductors in 2003 as Senior Vice President and General Manager of the Connected Multimedia Solutions Business Unit and later on as General Manager of Sales and Marketing during the transformation of Philips to NXP.

Maria joined Philips from Intel where she developed her professional career over 19 years, reaching senior positions in Europe, Middle East and Africa as Vice President and General Manager.

Maria holds a degree in Telecommunications Engineering from Universidad Politecnica de Madrid, Spain.



Chair's Governance overview

"We continue to be strengthened by a strong culture of diversity on the Board and we look forward to welcoming the addition of the MACOM representative directors following the conclusion of the Strategic Review."

Mark Cubitt
Chair

I am pleased to introduce IQE's Governance Report for the year ended 31 December 2025 on behalf of the Board. The Board is collectively responsible for IQE's long-term success and hence committed to conducting business responsibly, maintaining high standards of corporate governance, and to aspiring to the highest levels of quality in everything it does.

Board composition

Following several years where changes were made to the composition of the Board, in 2025 the only change was the appointment of Jutta Meier as the Group's new permanent Chief Executive Officer. Jutta joined IQE as Chief Financial Officer in January 2024 and was appointed as the Group's new Chief Executive Officer in May 2025 following a period as interim. Jutta brings her wide-ranging financial leadership and semiconductor industry experience to bear in her joint role as Chief Executive Officer.

Following the conclusion of IQE's Strategic Review in April 2026, I resumed my position as Non-Executive Chair of IQE's Board. On the same date, Harmesh Suniara, representative of Lombard Odier, resigned from the Board. Lombard Odier does not intend to nominate an alternate representative.

IQE had a stronger trading momentum in H2 2025 versus the first half of the year, and that trajectory carried into 2026. Whilst the global economy and geopolitical environment continue to bring challenges for the Group, the Group continues to make positive progress in

addressing its underlying financial performance and the Board remains confident in the long-term opportunities available to the Group.

During the Strategic Review period, the Board decided that the Company's interests would be best served through strong financial leadership and it was therefore decided that Mark Cubitt and Jutta Meier were best placed to fill the Group's executive roles. The Board intends to review the executive structure, including whether a Chief Financial Officer should be appointed, in the second half of 2026.

Board evaluation

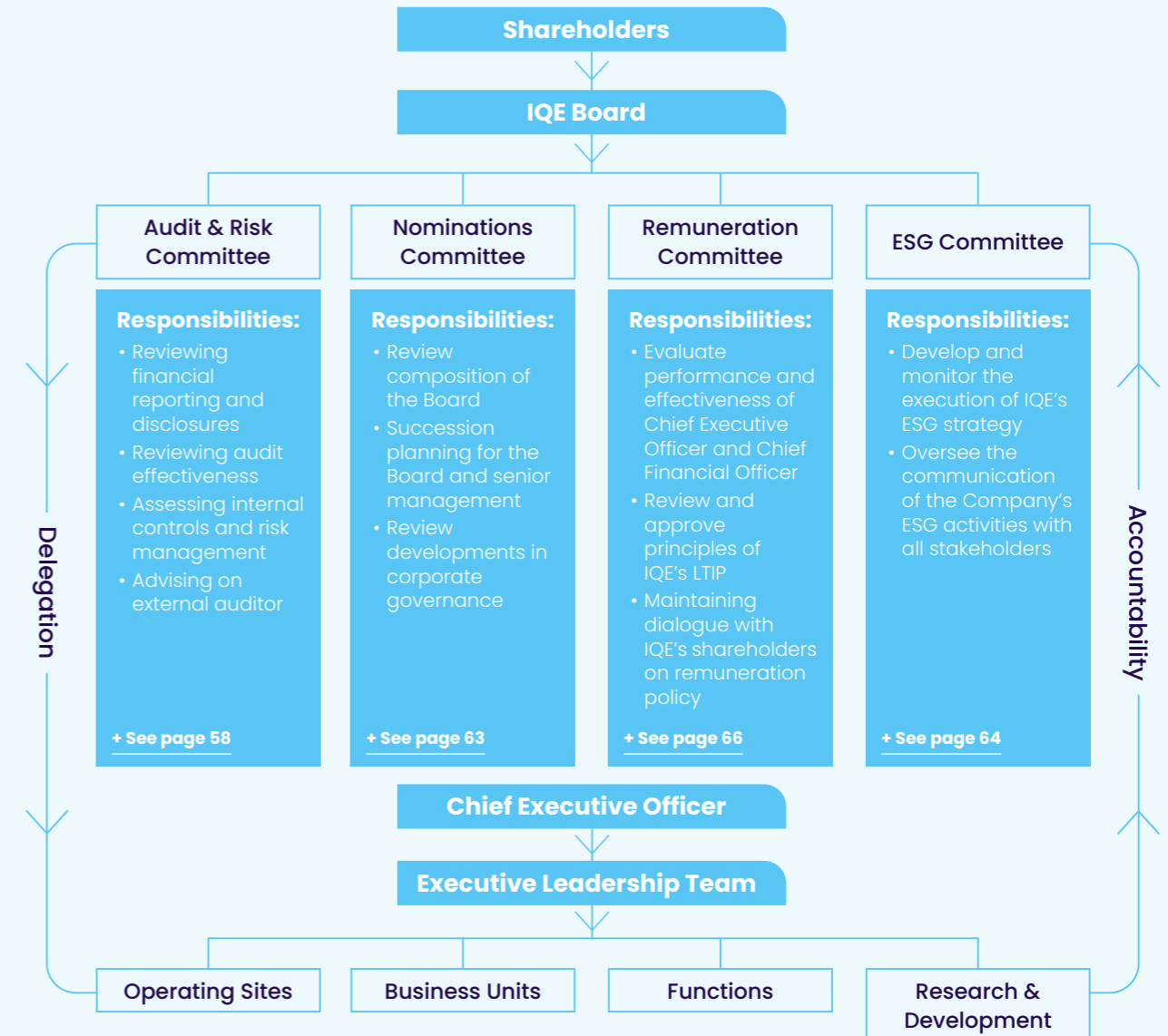
The Board has a well-established process for undertaking an annual review of the performance of the Board, its Committees and the Chair. We did not complete a formal external evaluation of the Board in 2025 due to the expected outcomes from the Strategic Review.

I encourage all of our shareholders to engage with us ahead of the AGM which will be held on 30 June 2026. Notice of, and details of the arrangements for, the AGM will be provided to shareholders in due course.

Mark Cubitt
Chair

28 May 2026

Governance structure



Role of the Board

The Board is responsible for the overall conduct of IQE's business and the Directors have responsibilities under both the Company's Articles of Association and UK company law. The Board delegates day-to-day management of IQE to the Chief Executive Officer and the Executive Leadership Team.

The major decisions of the Board in 2025 included:

- February 2025 – Approved the Group's corporate objectives for 2025
- May 2025 – Approved the Annual Report
- May 2025 – Appointed new permanent Chief Executive Officer and oversaw changes to the Group's Executive Leadership Team
- September 2025 – Approved the half year results
- September 2025 – Expanded the scope of the previously announced Strategic Review to incorporate the potential sale of the Group

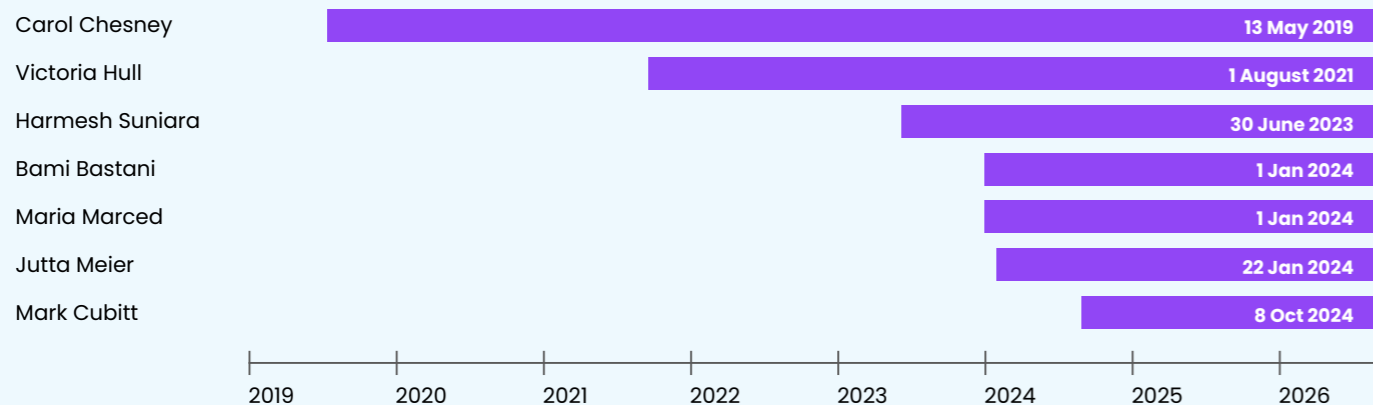
Independence

The Board considers that, with the exception of Harmesh Suniara, all of the Non-Executive Directors are independent in character and judgement and free from any business or other relationship that could materially interfere with exercising that judgement.

The Board is also satisfied that there is no compromise to the independence of, and nothing which would give rise to conflicts of interest for, those Directors who serve as Directors on other company boards or who hold other external appointments. The Board considers potential for conflicts of interest at every Board meeting and ensures that Directors present sufficient information for those to be reviewed.

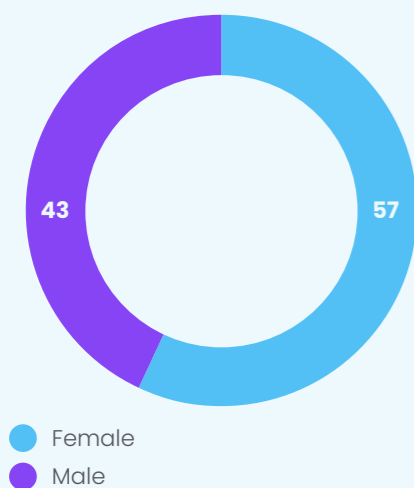
Chair's Governance Overview *continued*

Board tenure

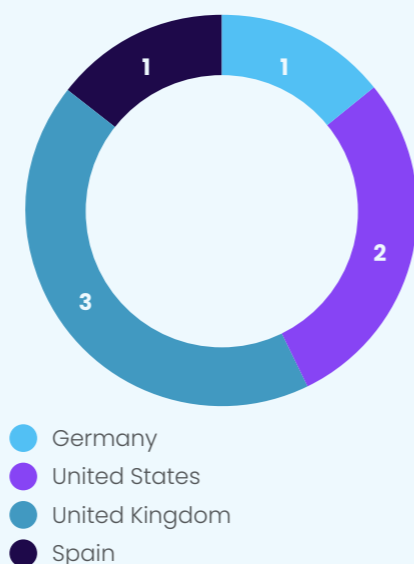


Board diversity

Gender (%)



Nationalities (Number)



Note: Jutta Meier holds dual German and US citizenship, Bami Bastani holds dual US and Iranian citizenship and Carol Chesney holds dual British and US citizenship.

Appointment and time commitment

The Executive Chair and each of the other Non-Executive Directors have letters of appointment.

The Executive Chair's letter of appointment sets out the time commitment expected of him. The other Non-Executive Directors' letters of appointment set out a minimum expected time commitment but do not set out a fixed time commitment.

The Non-Executive Directors are expected to allocate appropriate time to IQE to perform their duties and to make themselves available for all regular and ad hoc meetings. The Board believes each of the Non-Executive Directors has sufficient time to perform their duties.

Board evaluation

Given the outcomes expected from the Strategic Review, the Board did not complete a formal evaluation in 2025.

Board and Committee attendance

The Board is scheduled to meet six times a year and as needed. Attendance details for scheduled meetings of the Board and its Committees are set out below. Other Non-Executive Directors and senior leaders in the Group attend by invitation.

	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee*	ESG Committee
Number of meetings in 2025	6	4	2		1
Executive					
Mark Cubitt	6				1
Jutta Meier	6				
Non-Executive					
Carol Chesney	6	4	2		
Maria Marced	5		2		0
Victoria Hull	5	4	2		
Bami Bastani	4	3			1
Harmesh Suniara	6				

* The Nominations Committee met on an informal basis throughout the year. In particular, there were a number of meetings and discussions relating to Mark Cubitt's ongoing role as Executive Chair and Jutta Meier's appointment as Chief Executive Officer.

UK Corporate Governance Code compliance

IQE complied throughout 2025 with the principles and provisions of the UK Corporate Governance Code 2018 except in the following areas:

Provision 17

IQE does not currently maintain a succession plan for the Company Secretary or all senior management immediately below Board level. IQE will work to develop such plans based on merit and objective criteria. As part of its consideration of developed succession plans, the Nominations Committee will consider the linkage of its diversity objectives with Company strategy and the gender balance of those in senior management and their direct reports.

Provision 21

Whilst the Board does have a process for formal and rigorous annual evaluations of the performance of the Board and its Committees, this was not completed in 2024 or 2025 due to the number of changes at a Board and Executive Leadership Team level, and the planned execution of Strategic Review-linked transaction.

Provision 33

The Remuneration Committee has responsibility for determining the policy and setting remuneration for the Executive Directors and the Chairman. It also has responsibility to recommend and monitor the policy, level and structure of remuneration for senior management. However, actual remuneration for senior management and the Company Secretary (noting that the Company Secretary is part of the Executive Leadership Team and senior management) is set and determined by the CEO in consultation with the Group's Chief People Officer and appropriate external advice and benchmarking.

Provision 36

Share options granted to the Executive Directors under IQE's Long-Term Incentive Plan (LTIP) are subject to total vesting and holding periods of three years, opposed to five years. In addition, Executive Directors are subject to a minimum holding requirement equal to 200% of their base salary and will have a post-employment shareholding requirement for two years. The minimum holding will be equal to 200% of base salary in the first year post-employment, reducing to 100% of base salary in the second year.

IQE's approach aligns with market practice across IQE's peer group on AIM and the Remuneration Committee considers the current holding periods to be the right balance between incentivising Executive Directors and aligning with the interests of the Group's stakeholders.

A copy of the 2018 UK Corporate Governance Code is available at frc.org.uk. The UK Corporate Governance Code was updated in January 2024 with the 2024 Code applying for financial years beginning on or after 1 January 2025.



Audit & Risk Committee Chair's introduction

“The effectiveness of IQE’s external audit process is underpinned by the rigorous work of the Audit & Risk Committee. This ensures the integrity of our financial statements, assessment of our risk management strategies and internal controls, and reviews.”

Carol Chesney
Chair

I am pleased to present the Report of the Audit & Risk Committee, which provides a summary of the Committee’s role and activities during the 2025 financial year.

The Board considers the maintenance of high standards in its governance and management of the affairs of IQE as fundamental to the discharging of its stewardship responsibilities. Accordingly, both the Board and the Audit & Risk Committee continue to keep under review IQE’s whole system of internal control, which comprises not only financial controls, but also business and operational controls, compliance and risk management.

The Committee works with IQE’s internal finance function and external auditors discussing, assessing and challenging financial reporting and going concern assessments. The Committee used its structured meeting schedule to ensure that it provides robust challenge in the areas relating to financial reporting, internal controls and risk management, the external auditors and other issues pertinent to IQE.

The Committee’s work during the year focused on several key areas of governance, aligned with the Strategic Review process, led by the Board:

- The Group’s available financial resources, focusing on liquidity and costs
- The Group’s compliance with banking covenants
- The Group’s long-term financial requirements

The Committee’s published Terms of Reference are reviewed annually and received small updates in 2025. A full copy can be found on the Group’s website.

Carol Chesney
Chair

28 May 2026

Role of the Committee

The Audit & Risk Committee is responsible for monitoring the effectiveness of IQE’s financial reporting, internal controls and risk management systems and processes and the effectiveness and independence of IQE’s external auditors.

Key responsibilities

- Reviewing the effectiveness of IQE’s financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk
- Reviewing significant financial reporting issues and judgements including the potential for asset impairment and assessment of viability and going concern
- Monitoring the integrity of IQE’s financial statements and any formal announcements relating to IQE’s financial performance
- Keeping the relationship with the external auditors under review, including their terms of engagement, fees and independence
- Reviewing and monitoring the need to establish a dedicated internal audit function
- Advising the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess IQE’s performance, business model and strategy
- Conducting the tender process and making recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor
- Reviewing and monitoring the external auditor’s independence and objectivity
- Reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, considering the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required
- Reporting to the Board on how it has discharged its responsibilities

Membership

- Carol Chesney – Chair
- Victoria Hull
- Bami Bastani

Carol Chesney is Chair of the Audit & Risk Committee. Carol is a Chartered Accountant and has also held several senior finance roles. The Board is satisfied that Carol is the Committee member with recent and relevant financial experience as required by the UK Corporate Governance Code 2024. The Board is also satisfied that the Committee as a whole, including invited attendees as necessary, has a mix of experience and competencies to assess the issues facing the Group within the semiconductor industry.

Meetings and attendance

The Audit & Risk Committee meets at least three times a year, with additional meetings as required. There were four meetings in 2025. All of the Committee members attended each meeting, with the exception of Bami Bastani who was unable to attend the meetings on 17 and 22 September 2025 and Victoria Hull who was unable to attend the meeting on 11 December 2025.

The meetings are also regularly attended by the Chair, Chief Executive Officer, Chief People Officer & General Counsel and other senior members of the finance team.

IQE’s external auditors attend meetings and time is allowed at the end of each meeting for the Audit & Risk Committee members to discuss issues with the external auditors without management being present. The Chair also holds at least one separate meeting with the audit partner ahead of each Committee meeting.

Audit & Risk Committee Report *continued*

Activities during 2025

The Committee continues to oversee a range of risk areas that are key to IQE’s long-term success and compliance with applicable laws and regulations.

The majority of the Committee’s work derives from a structured programme that is designed to fulfil its responsibilities as set out in its terms of reference, with additional focus areas in 2025 as set out on page 55. The table below summarises the key activities at each meeting during 2025:

Agenda item	9 May	17 September	22 September	11 December
Review financial performance with focus on liquidity and covenant strength	•	•	•	•
Review of financial statements, going concern assumption and compliance with accounting standards	•	•	•	
Review and recommend for approval year-end and half-year announcements	•		•	
Review of significant reporting issues and material judgements	•	•	•	
Review of key business risks	•	•		•
Annual review of process and procedures for risk management				•
Consider requirements for internal audit function				•
Consider any material breach of law	•	•		•
Review Whistleblowing Policy and procedures for preventing fraud, bribery and corruption			•	•
Review of insurance programme, policies and material judgements			•	
Review representation letter for full-year and half-year	•	•		
Review effectiveness of Audit & Risk Committee				•
Review of auditor quality and independence				•
Consider audit effectiveness	•			
Review accounting and corporate governance developments				•
Committee-only meeting with external auditor	•			•

The UK Corporate Governance Code 2024 requires the Directors to prepare the Annual Report and Accounts and to state that they consider them, taken as a whole, to be fair, balanced and understandable and provide the information necessary for shareholders to assess IQE’s position and performance, business model and strategy. The Board requested that the Audit & Risk Committee advise it as to whether the Annual Report and Accounts meet those requirements.

This work formed part of the review of the draft financial statements that was undertaken by the Committee in May and September 2025.

Through consideration of reports from, and meetings with, management and the external auditors, the Committee has reviewed and determined the following:

- Judgemental areas and significant matters relating to the financial statements as set out on pages 114 to 116;
- Whether the expected future cash flows of IQE support the carrying value of the Group’s cash generating units, and whether there are any triggering events which suggest any potential impairment of other intangible assets including the valuation of development intangibles and the capitalisation of development costs; and

- Whether the presentation of the financial statements, including the presentation of adjusted performance measures, is appropriate and balanced.

Through consideration of reports by independent tax specialists assessing IQE’s tax affairs in the UK, the US, and Taiwan, as appropriate, and consideration of reports by and meetings with management assessing current and deferred tax accounting, the Committee has reviewed and determined whether the provision for tax liabilities, and the current and deferred tax accounting is appropriate.

The Committee has reviewed the resources available to IQE, taking account of IQE’s trading and cash flow forecast together with available funding headroom, including the impact of the Fundraising completed on 28 May 2026 (see Note 33) to assess the appropriateness of the going concern assumption.

On the basis of the completed Fundraising, the Committee has a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Significant matters relating to the financial statements

The Committee performs a review of significant matters that relate to the financial statements. The matters that the Committee considers are significant are set out below:

- Going concern matters related to the Group’s liquidity and bank covenant compliance position and the appropriateness of the disclosure contained within the significant accounting policies note relating to the application of the going concern basis of accounting in the financial statements;
- Impairment of non-financial assets within the Group’s Photonics and Wireless cash generating units and the revenue growth rates and discount factors applied in value in use calculations used to support the carrying value of non-financial assets within each of the Photonics and Wireless cash generating units;
- Identification of the Group’s cash generating units and the allocation of revenue, assets, costs and impairment to each cash generating unit;
- Revenue recognition and any judgements associated with the satisfaction of performance obligations for significant transactions;
- Management override of controls and the appropriateness of internal control risk assessments and the design and operation of key financial controls and process; and
- Presentation and disclosure of adjusted performance measures including appropriate clarity of reconciliation between each GAAP and non-GAAP measure.

External Auditors

The Audit & Risk Committee oversees the external auditor’s appointment, independence and effectiveness. KPMG LLP was appointed following the 2017 tender and has served for nine years. The Committee reviews the appointment annually. It also maintains an auditor independence policy, under which it monitors all services and fees to ensure conflicts are managed and an independent, objective and professional relationship is maintained.

The Committee has a policy on the provision of non-audit services by the external auditor in line with the Financial

Reporting Council’s Revised Ethical Standard 2019. The Group has a policy prohibiting the use of the Group’s auditors for the provision of non-audit services other than an interim half-year review.

The Audit & Risk Committee also monitors the effectiveness of the external audit. Before the end of the financial year, the Committee receives a detailed audit plan from the auditors that identifies the auditors’ assessment of the key risks and their intended areas of focus. This is agreed with the Committee to ensure that the scope and coverage of audit work is appropriate. IQE’s management also provides the Committee with feedback on the effectiveness of the audit and the quality of the audit firm and lead audit partner.

In addition, the Group’s auditors are required to make a formal report to the Audit & Risk Committee annually on the safeguards that are in place to maintain their independence and the internal safeguards in place to ensure their objectivity.

A resolution to reappoint KPMG will be proposed at the forthcoming Annual General Meeting.

	2025 £’000	2024 £’000
KPMG LLP		
Fees payable to the Company’s auditor and its associates for the audit of parent company and consolidated financial statements	700	720
Additional fees payable in relation to the audit of the parent company and consolidated financial statements for the years ended 31 December 2024 and 2023	73	25
Fees payable to Company’s auditor and its associates for other services:		
The audit of the Company’s subsidiaries	25	25
Audit-related assurance services	-	51
Tax and other advisory services	-	-
Total KPMG LLP (Group auditors)	798	821

Audit & Risk Committee Report *continued*

Internal audit and controls

The Audit & Risk Committee reviewed the effectiveness of IQE's system of internal controls and risk management activities bi-annually as part of the half-year and full-year public reporting.

The system of internal control comprises those controls established in order to provide assurance that IQE's assets are safeguarded against unauthorised use or disposal, and to ensure the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The key procedures that IQE has established with a view to providing effective internal control include the following:

- A clearly defined organisational structure and limits of authority;
- Corporate policies and procedures for financial reporting and control, project appraisal, human resources, quality control, health and safety, information security and corporate governance;
- The preparation of annual budgets which require approval from the Board and the delivery of regular financial forecasts to the Board;
- The monitoring of performance against budget and forecasts and the reporting of any variances in a timely manner to the Board;
- Regular review and self-assessment of IQE's risks, taking steps to monitor and mitigate these wherever possible;
- Where appropriate, taking out insurance cover; and
- Approval by the Audit & Risk Committee of audit plans and, on behalf of the Board, receipt of reports on IQE's accounting and financial reporting practices and its internal controls together with reports from the external auditors as part of their normal audit work.

This process remained in operation for the year under review and as part of that process, management reports any material exceptions to the Audit & Risk Committee.

The Group continues to rely on a range of legacy IT systems and software to support its day-to-day operations which are not fully integrated, a position that is managed from a financial governance and control perspective via manual processes which continue to be enhanced year over year. The longer-term objective of the Group is to update, consolidate and integrate IT systems and software, increasing automation, control, and efficiency. This objective has initially been focused on the Group's manufacturing systems with upgrades and integration of financial systems planned as part of wider enterprise resource planning (ERP) system enhancements in the medium term. The Group's progress has been slower than planned due to ongoing financial constraints in the current year.

IQE does not have an independent internal audit function, however it does operate internal audit on an ad hoc peer review basis, with a scope of evaluating and testing IQE's financial control procedures. The Committee considers that this remains appropriate for IQE's size and geographical spread, but the Committee keeps this under constant review. In completing its review of the effectiveness of IQE's system of internal controls, the Audit & Risk Committee has taken account of any material developments up to the date of the signing of the most recent financial statements. In addition, recognition is given to the external audit findings, which help to inform the Audit & Risk Committee's views of areas of increased risk.

Risk management

The Group Risk Committee identifies, reviews, assesses and tracks IQE's key risks and mitigating actions. The Group Risk Committee documents its approach through a risk register which is shared and discussed with the Audit & Risk Committee.

Key risk management activities performed by IQE are summarised on page 42. The Committee takes an active role in the risk management process that includes a regular review of IQE's risk register and 'deep dives' into specific areas of risk. The Audit & Risk Committee has been particularly focused on the Group's financial and liquidity risks through 2025.

IQE's principal risks and uncertainties are set out on pages 44 to 47. While many of the key risks identified recur from year to year, the relative importance evolves over time and may require IQE to refocus its assurance activities. In the year ahead, the Committee will continue to work with the Board, Executive Leadership Team and other senior management to ensure that there is appropriate focus on the most significant risk areas together with the associated plans for mitigating their impact.

Anti-bribery and corruption

IQE maintains a zero-tolerance approach to corruption. It has an established Anti-bribery and Corruption Policy, which includes guidance on the giving and receiving of gifts and hospitality. This policy applies throughout IQE's business. A Gifts and Hospitality Register is maintained to ensure transparency.

Whistleblowing

IQE operates a confidential reporting mechanism, overseen by IQE's Chief People Officer & General Counsel, which enables employees to raise concerns of malpractice, non-compliance or unethical conduct. The options for raising concerns are widely communicated to employees, and include the ability to raise concerns directly with the Senior Independent Director or the Chief People Officer & General Counsel. These channels are clearly set out in IQE's Whistleblowing Policy. Any whistleblowing reports are confidentially reported to the Audit & Risk Committee. IQE's reporting policy and procedures provide a framework for protected disclosure.

Nominations Committee Chair's introduction

"The Nominations Committee continued its work in supporting the Board with the transition of the Group's leadership team."

Mark Cubitt
Chair



The Nominations Committee has overseen several changes to IQE's Board in recent years. In 2025, the Nominations Committee supported the Board with the appointment of Jutta Meier as the Group's new Chief Executive Officer, following her short period in the role on an interim basis following the departure of the Group's previous Chief Executive Officer.

The Committee was also involved in the permanent appointments of existing Executive Leadership Team members to their expanded roles, following a period of several months where performance was assessed by the Board.

Role of the Committee

The Nominations Committee is responsible for leading the process for the selection and appointment of Directors and for ensuring plans are in place for an orderly succession of Board and senior management positions.

Key responsibilities

- Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes
- Identify, evaluate and recommend candidates for appointment as Directors
- Succession planning for Directors and other senior management
- Review developments in law, regulation and best practice relating to corporate governance and make recommendations to the Board on appropriate action

Membership

- Mark Cubitt – Chair
- Carol Chesney
- Victoria Hull

Meetings and attendance

The Committee meets regularly on an ad hoc basis, often following the conclusion of scheduled Board meetings. All members attended each meeting.

Mark Cubitt

Committee Chair

28 May 2026



ESG Committee Chair's introduction

"The ESG Committee was formed in early 2022 to develop and monitor the execution of IQE's ESG strategy and to oversee the communication of the Company's ESG activities with all stakeholders."

Mark Cubitt
Committee Chair

The ESG Committee was formed in early 2022 to develop and monitor the execution of IQE's ESG strategy and to oversee the communication of the Company's ESG activities with all stakeholders. The ESG Committee is also responsible for monitoring the Board's engagement with IQE's people, with Victoria Hull and Bami Bastani acting as the Board's workforce representatives.

The Group's emissions reduction targets were approved by the SBTi in late 2024 and management has been further developing the Group's transition plans, with the Company reporting under the Task Force for Climate-related Financial Disclosures in 2024 and 2025. In 2025 the Group has fallen below the reporting thresholds under the Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022.

The ESG Committee is working with the Executive Leadership Team and colleagues within IQE to assess and develop IQE's sustainability strategy. In 2025 the Committee considered global and semiconductor industry approaches to environmental initiatives, noting a significant shift in approach from the US government and therefore the US semiconductor industry. The Committee is working with management to assess the impact of these changes on the Group's sustainability strategy.

Role of the Committee

The ESG Committee is responsible for developing and monitoring the execution of IQE's ESG strategy and the communication of that strategy to IQE's stakeholders.

Key responsibilities

- Ensure that IQE has a fit-for-purpose ESG strategy and drive momentum behind the development and implementation of that strategy
- Be responsible for communicating IQE's position on Environmental, Social and Governance issues
- Ensure that the strategy meets IQE's short- and long-term business objectives
- Review the effectiveness of the strategy and the governance for its successful delivery
- Approve ESG reporting and specifically any reporting and data included in IQE's Annual Report
- Report to the Board about the Committee's work and progress against the strategy

Membership

- Mark Cubitt – Chair
- Maria Marced
- Bami Bastani

Meetings and attendance

The ESG Committee aims to meet at least twice a year. In 2025 the Committee met once, in October.

Mark Cubitt

Committee Chair

28 May 2026

Culture

Our Vision, Mission and Values

Our Vision is to enable a brighter future through the power of advanced semiconductors. We believe that our products are fundamental in the technologies we use in our everyday life. As leaders in semiconductor materials innovation, we are committed to responsibly powering the next generation of technology to drive society towards a sustainable, Net Zero future. We are enabling a global technology revolution to create a connected, safe and inclusive world. This is our Mission.

Our Vision and Mission are supported by our well-established business model and our culture. Our culture derives from our Values of Teamwork, Integrity, Excellence, Accountability and Valuing People.

Our Values guide the Board and leadership in their decision-making. We prioritise health & safety and constantly seek to enhance collaboration and respect through Teamwork. We strive and support Excellence in every aspect of what we do, upholding Integrity with honest, transparency and strong governance processes. Our People are the foundations for our business and we seek to develop and support all of our colleagues.

In 2025 the Board monitored and assessed our culture through the following mechanisms:

Approach	How it links to culture
Management reports	Regular reports from the Chief Executive Officer and Chief People Officer
Whistleblowing	Regular reporting on matters reported through the Group's whistleblowing processes
Health & Safety	Regular reporting on health & safety, including any lost time injuries or process safety failures
Colleague Engagement	The Board engages directly with our people to hear their feedback first hand. In 2025 this included an 'ask me anything' session with our Executive Chair, Mark Cubitt, and a separate meeting with our two Non-Executive Directors designated for workforce engagement, Victoria Hull and Bami Bastani
ESG Committee	Our ESG Committee receives feedback primarily from our health & safety and HR leads on areas relating to our Environmental, Safety and Governance initiatives and this enables discussions and visibility of how our Values are being lived through the organisation.

Change environment

Through targeted engagements with the Board and a regular bi-monthly cadence of all-employee Townhalls hosted by our Executive Leadership Team, we have worked to help our colleagues understand and embrace the changes that are essential for IQE's evolution. The Townhalls are designed to ensure that all of our People are well-informed of the progress of our strategic initiatives as well as the performance of underlying business, including the celebration of our People and the connection of everyone's efforts to our Values. The Executive Leadership Team have also held more regular calls with our senior leaders to ensure the alignment of objectives throughout the business.

Ensuring a sense of belonging

The Board has supported the Executive Leadership Team in 2025 through the implementation of several active communication and engagement initiatives with colleagues. These help to provide everyone with a voice to provide feedback throughout the year. Examples include our People Engagement Forum, Women's Network, Spot Awards (including ELT-sponsored quarterly and annual awards) and a regular cadence of site-based efforts linked to our inclusion goals.



Remuneration Committee Chair's introduction

"The Committee worked within our remuneration framework in 2025 to support the leadership transition and the conclusion of the Strategic Review."

Victoria Hull

Non-Executive Director and Chair of the Remuneration Committee

There was no bonus for the Executive Directors for the year 2025. Due to recent changes in the Executive leadership, there were no share options that were due to vest in 2025.

Members

- Victoria Hull – Chair
- Maria Marced
- Carol Chesney

2026 remuneration

At the time of writing this report, the Committee was still assessing the annual and long-term incentive arrangements for the Executive Directors.

Victoria Hull

Non-Executive Director and Chair of the Remuneration Committee

28 May 2026

Introduction

On behalf of the Board, I present the Remuneration Report for the year ended 31 December 2025. The Report provides a full overview of the structure and scale of our remuneration framework and decisions made by the Committee as a result of business performance in 2025.

2025 incentive awards and outturns

The Committee has been focused throughout 2025 on ensuring that the Executives are appropriately incentivised, in the context of the Group's overall financial envelope, to deliver a successful outcome for the Strategic Review.

The Committee engaged with the Company's major shareholders in the first half of 2025 relating to proposed remuneration changes for Mark Cubitt, Executive Chair, and Jutta Meier, Chief Executive Officer. We ensured that we provided transparency regarding proposed adjustments to Mark's and Jutta's base salaries to reflect their new roles and the continuation of the Group's existing remuneration framework with respect to annual bonuses and share option grants. Further details are provided in the Report below.

Remuneration at a glance

	Purpose and link to strategy	Key features	2025
● Salary	Supports the attraction and retention of the best global talent with capability to deliver IQE's strategy.	Reviewed annually Salaries take account of external market and internal employee context.	Increases for Executive Chair and Chief Executive Officer, effective from 1 May 2025, were above the c.2% average pay increase for the wider workforce due to the increases in their responsibilities. Please see further information on page 75.
● Allowance and benefits	Provision of market-competitive and cost-effective benefits to support attraction and retention of talent.	Provision of competitive benefits linked to local market practice. Maximum Company pension contribution is 10% of salary. The Executive Chair is not entitled to employment-related benefits.	Allowances and benefits unchanged from prior year.
● Annual incentive	Incentivises delivery of IQE's financial and strategic targets. Provides focus on key financial metrics and the individual's contribution to IQE's performance.	Maximum is 120% of salary with 50% of the maximum payable for target performance. Performance measures, weightings and stretching targets set annually. Normally paid in cash after end of the financial year, save that any payout above 100% of salary will normally be made in the form of share grant. Subject to malus and clawback provisions.	There was no 2025 annual bonus payout for the CEO. The Executive Chair is not entitled to an annual bonus.
● Long-term incentives	Provides alignment with shareholders by ensuring a significant percentage of remuneration is delivered in shares and rewards long-term performance in line with IQE's strategy.	Normal annual awards of up to 200% of salary may be granted under IQE's LTIP. The normal maximum award may be exceeded in exceptional circumstances, such as recruitment. Three-year performance period. Performance measures, weightings and stretching targets reviewed annually. Subject to malus and clawback provisions.	The CEO received a performance-based award under the Group's established LTIP. The Executive Chair received 3 quarterly grants of 166,667 immediately vested share options to reflect his ongoing responsibilities as an Executive. Please see further information on page 75.
● Shareholding requirement	Ensures alignment between the interests of Executive Directors and shareholders.	Minimum shareholding requirements: • CEO 200% of salary • CFO 200% of salary New joiners given time to reach threshold and not expected to self-fund. There is no minimum shareholding requirement for the Executive Chair.	CEO shareholdings as at 31 December 2025: nil.

● Salary ● Pension ● Benefits ● Annual Bonus ● LTIP

Directors' Remuneration Policy

IQE aims to attract, retain and motivate high-calibre executives in a highly competitive global industry, whilst recognising the need to be cost effective, and to incentivise out-performance. The Remuneration Committee established the current Remuneration Policy with the aim of balancing these factors, taking account of investor feedback and prevailing best practice.

This Policy section of the Directors' Remuneration Report sets out the Policy for Executive Director remuneration which the Committee intends to operate for 2026. As an AIM quoted company, IQE is not required to put its Policy to a binding shareholder vote, however, in developing the new Policy, the Committee has sought to comply with the main best practice expectations for UK companies while ensuring the Policy is sufficiently competitive compared to IQE's sector, talent markets and ambitions for growth.

Function	Operation	Opportunity	Performance metrics
<p>Base salary To recognise the individual's skills and experience and to provide a competitive total package</p>	<p>Base salaries are normally reviewed annually, with reference to market levels, individual contribution, the experience of each Executive and increases across the Group. Any adjustments normally become effective on 1 May.</p>	<p>It is anticipated that salary increases will normally be no higher than those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity, material market misalignment) the Remuneration Committee has discretion to make appropriate adjustments to salary levels to ensure they remain appropriate.</p>	n/a
<p>Pension To provide an opportunity for Executives to build up income on retirement</p>	<p>All Executives are members of the Group pension scheme and/or receive a cash pension allowance. Salary is the only element of remuneration that is pensionable.</p> <p>The Executive Chair is not an employee and does not participate in the pension scheme or receive a pension allowance.</p>	<p>Executive Directors receive a pension contribution of 10% of salary or an equivalent cash allowance. This aligns with the pension arrangements for IQE's employees who can receive matching contributions from IQE of up to 10% of salary.</p>	n/a
<p>Benefits To provide non-cash benefits which are competitive in the market in which the Executive is employed.</p>	<p>Executives receive benefits which consist primarily of health cover, life assurance, long-term disability insurance and reimbursement for fuel, although may include other benefits that the Remuneration Committee deems appropriate in the circumstances. Relocation and expatriation-related benefits may also be provided where appropriate.</p>	<p>Benefits may vary according to role and individual circumstances. Eligibility for benefits and the cost of benefits are reviewed periodically. The cost of benefits is dependent on market rates and is not capped. The Executive Chair is not entitled to employment-related benefits.</p>	n/a

Function	Operation	Opportunity	Performance metrics
<p>Annual Bonus To incentivise and reward strong performance against financial and personal annual targets, thus delivering value to shareholders and being consistent with the delivery of the strategic plan.</p>	<p>Performance measures, targets and weightings are set at the start of the year. The scheme is based on a combination of financial performance and personal objectives. At the end of the year, the Remuneration Committee determines the extent to which the objectives have been achieved. Bonus payments are delivered in cash and any payment above 100% of salary will normally be made in the form of a share grant. Clawback (of any bonus paid) may be applied during employment or for two years post-termination. The two year period is considered appropriate as it allows sufficient time for the identification of any gross misconduct, material financial misstatement, error in calculation of outcomes or for any other circumstance that the Remuneration Committee considers appropriate. No clawback has been applied in the current year.</p>	<p>For Executive Directors, the maximum annual bonus opportunity will be 120% of base salary. The bonus pays 0% at Threshold, 50% at Target and 100% at Stretch, with straight-line vesting between these levels. The Executive Chair is not entitled to an annual bonus.</p>	<p>Performance is assessed on an annual basis against a scorecard of financial and personal/strategic objectives set at the start of each year. Financial measures will be weighted appropriately each year according to business priorities, and will normally represent between 70% and 100% of the scorecard. Personal objectives will normally have a weighting of between 0% and 30% of the maximum opportunity. These will be set annually to capture expected individual contributions to IQE's strategic plan. The payout for any personal element will be reduced by 50% in the event the thresholds for a majority of the relevant financial measures are not met. The Remuneration Committee has discretion to adjust formulaic bonus outcomes to ensure fairness for shareholders and participants, to ensure pay aligns with underlying Company performance, and to avoid unintended outcomes. These adjustments can be either upwards (within plan limits) or downwards (including down to zero). The Remuneration Committee may consider measures outside of the bonus framework to ensure there is no reward for failure. Any adjustment would be carefully considered and fully explained in the Annual Report on Remuneration.</p>
<p>LTIP To provide alignment with shareholders and competitive rewards by delivering a significant proportion of remuneration in company shares and incentivise sustained long-term performance that supports the creation of shareholder value.</p>	<p>Under the Long-Term Incentive Plan (LTIP) annual awards of shares or nominal-cost options may be made to participants. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. The Committee has the discretion to authorise a payment, in shares, equal to the value of dividends which would have accrued on vested shares during the vesting period. Malus (of any unvested LTIP) and clawback (of any vested LTIP) may be applied during employment or for two years post-termination for the reasons and circumstances consistent with clawback provisions that apply to annual bonuses. No malus or clawback has been applied in the current year.</p>	<p>Normal awards of up to 200% of salary may be granted under the LTIP. In exceptional circumstances, including but not limited to recruitment, normal awards may be exceeded. Up to 25% of PSP awards granted under the LTIP will be paid for achieving Threshold performance, normally increasing on a straight-line basis to full vesting for achieving Stretch performance.</p>	<p>Vesting of PSP awards granted under the LTIP is subject to achieving performance conditions and continued employment. Performance conditions are normally measured over three consecutive financial years with awards vesting following financial reporting for the third year. The Remuneration Committee has limited discretion to amend the performance conditions provided that the amended performance condition is not materially easier to satisfy than the original condition. The Remuneration Committee has discretion to adjust outcomes to ensure they fairly reflect underlying performance. The Remuneration Committee also considers environmental, social, governance and health and safety criteria, to ensure there is no reward for failure.</p>

Remuneration report *continued*

Notes to the Policy table

Performance measure selection and approach to target setting:

The measures used under the annual bonus plan are selected annually to reflect IQE’s main objectives for the year and reflect both financial performance and personal contributions to delivering the strategic plan. The performance conditions for new LTIP awards are selected to reflect IQE’s long-term objectives which support the creation of shareholder value.

Targets applying to the bonus and LTIP awards are reviewed annually, based on a number of internal and external reference points. Performance targets are intended to be stretching and achievable, and reflect IQE’s strategic priorities and its market opportunities.

The Executive Chair receives a fee, which is not pensionable, and is not entitled to any other benefits, an annual bonus or annual share option grants under the LTIP. The Executive Chair has received quarterly share option grants in 2025 to recognise his contribution to the Strategic Review and to align his remuneration with the priorities of the Group’s shareholders. A final grant of quarterly share options was made in March 2026.

Remuneration Policy for other employees

IQE provides all employees with a consistent package of benefits that includes private medical insurance, life assurance, long-term disability insurance and reimbursement for fuel.

All employees are eligible to participate in a discretionary annual bonus and receive awards under the LTIP. The same principles apply to the assessment of performance for determining the individual component of bonuses for all employees. Grants under the LTIP normally vest in annual tranches over three years subject to the employee remaining employed by the Group.

Shareholding guidelines

The Remuneration Committee wishes to encourage Executive Directors to build up a significant shareholding in the Company. Shareholding guidelines are therefore in place to require Executive Directors to acquire a shareholding (excluding shares held conditionally pursuant to LTIP performance) equivalent to 200% of base salary. 50% of any shares vesting (post-tax) under the LTIP are required to be held until the relevant shareholding level is achieved. Executive Directors are expected to build up the required shareholding within five years of appointment to the Board, although the Remuneration Committee will exercise appropriate discretion where Executive Directors have been impeded from building up the requisite shareholding due to business performance. The Executive Chair is not required to achieve a certain shareholding. Details of the Executive Directors’ current shareholdings are provided in the Annual Report on Remuneration on page 74.

Non-Executive Director remuneration

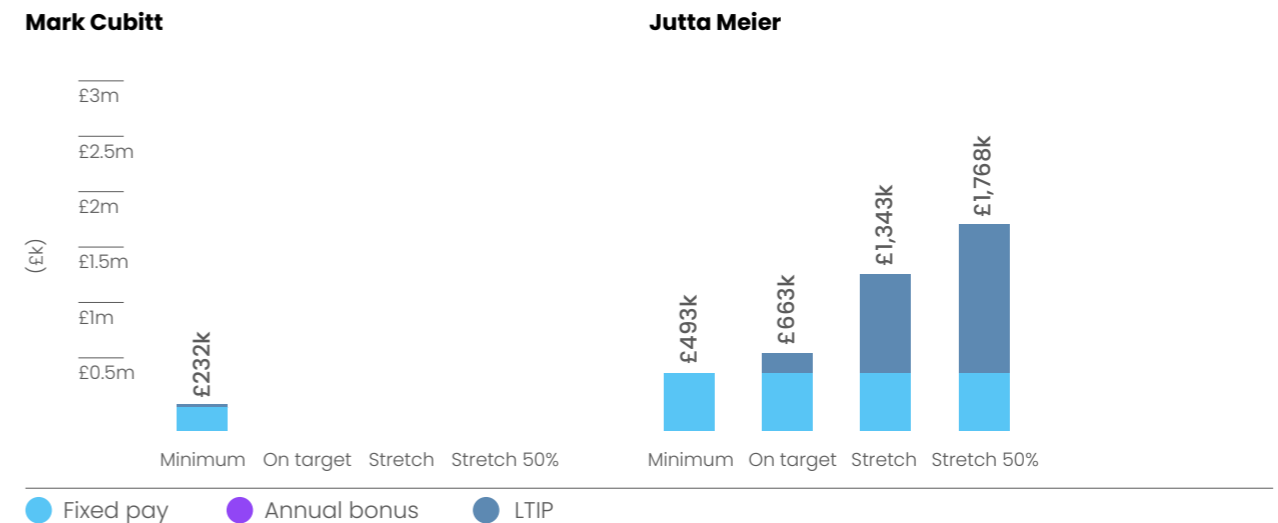
Non-Executive Director	Date of appointment letter	Remuneration per annum
Carol Chesney	13 May 2019	£50,000
Victoria Hull	1 August 2021	£50,000
Bami Bastani	1 January 2024	\$62,000
Maria Marced	1 January 2024	€57,000
Harmesh Suniara*	30 June 2023	£50,000

* Harmesh Suniara is the representative for Lombard Odier who receive a fee of £50,000 per annum equivalent to the Group’s standard Non-Executive Director fee.

Subject to re-election by shareholders, Non-Executive Directors are appointed by the full Board and retire annually in accordance with the Company’s Articles of Association. The remuneration of Non-Executive Directors is a matter reserved for the full Board, subject to an individual limit of £150,000 per annum or such other figure as shareholders may approve plus reasonable expenses in accordance with the Company’s Articles of Association.

The Non-Executive Directors are not eligible to participate in IQE’s performance-related bonus plan, long-term incentive plans or pension arrangements. Copies of the Non-Executive Directors’ appointment letters are available for inspection at the Company’s registered office during normal business hours.

2026 Executive Director remuneration



* LTIP value calculated based on market value of the options at the date of grant less the nominal grant price.

For illustrative purposes given that the actual 2026 LTIP award levels have not yet been determined, the chart assumes 2026 LTIP grants at the normal maximum limit of 200% of salary for the CEO and no LTIP award for the Executive Chair.

The ‘Minimum’ scenario comprises fixed remuneration, i.e. base salary, pension, and benefits, which are the elements of the remuneration package not linked to performance. The figures for base salary and pension (10% of salary) are as of 1 May 2025, while those for taxable benefits are based on the latest single figure table for 2025.

Mark Cubitt is not entitled to participate in the Group pension scheme or other benefits. The ‘Minimum’ scenario reflects fixed remuneration as above and there is no applicable ‘On target’, ‘Stretch’ or ‘Stretch 50%’ scenarios for Mark.

Approach to recruitment remuneration

External appointments

When hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

Component	Approach
● Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over multiple years, subject to the individual’s development in the role.
● Pension	New appointees will receive pension contributions or an equivalent cash supplement in line with existing policy.
● Benefits	New appointees will be eligible to receive benefits which may include those outlined in the policy table but may also include additional benefits consistent with market practice in their home location (if based outside of the UK).
● Annual Bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the personal element will be tailored to each executive.
● LTIP	New appointees will be granted awards under the LTIP on the same terms as other Executives, as described in the policy table.

Remuneration report *continued*

In determining the appropriate remuneration for a new Executive Director appointee, the Remuneration Committee will take into consideration all relevant factors (including nature and quantum of each component of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of IQE and its shareholders. The Remuneration Committee may make an award in respect of a new appointment to 'buy out' remuneration arrangements forfeited on leaving a previous employer.

This may be granted in addition to the ongoing remuneration elements outlined in the table above. In doing so, the Remuneration Committee will consider relevant factors, including the value and form of the award, time to vesting, performance conditions attached to awards, and the likelihood of these conditions being met.

Any 'buyout' awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Remuneration Committee may make awards using a different structure.

Any 'buyout' awards would have a fair value no higher than the awards forfeited.

Internal appointments

Internal promotions to the Board will be appointed on terms in line with the Policy. Any existing entitlement made prior to their appointment to the Board, which are not consistent with the Policy may be allowed to continue on their original terms.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will utilise the Policy as set out on pages 71 to 73.

Service contracts and treatment for leavers and change of control

Executive	Date of service contract
Mark Cubitt (Chair)	7 October 2024
Jutta Meier (CEO)	22 January 2024

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Remuneration Committee. The CEO has a rolling service contract which requires six months' notice of termination on either side and the Executive Chair has a rolling service contract which requires three months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay refers to salary, benefits and pension only. Executive Directors' service contracts are available to view at the Company's registered office.

When considering exit payments, the Remuneration Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and LTIP are typically treated in different circumstances, with the final treatment remaining subject to the Remuneration Committee's discretion:

Reason for leaving	Calculation of vesting/payment
Annual bonus	
Resignation	No annual bonus payable.
'Good leaver'* and change of control	Cash bonuses will typically be paid to the extent that performance objectives have been met. Any resulting bonus will typically be pro-rated for time worked. The Remuneration Committee retains discretion to vary this treatment in individual circumstances.
LTIP	
Resignation	Outstanding awards lapse.
'Good leaver'* and change of control	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the vesting period worked. The Remuneration Committee retains discretion to vary this treatment in individual circumstances. The determination of vesting will be made as soon as reasonably practical following the end of the performance period or such earlier date as the Remuneration Committee may agree (within 12 months in the event of death). In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.

* A 'good leaver' is a participant ceasing to be employed by the Group by reason of death, disability, ill health, retirement in agreement with the Company or any other reason that the Committee determines in its absolute discretion.

External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Group, Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any fees received. Mark Cubitt is Non-Executive Chair of Concurrent Technologies PLC and Non-Executive Director of Beeks Financial Cloud Group PLC.

Consideration of conditions elsewhere in the Company

When making decisions on changes to Executive Director remuneration, the Remuneration Committee considers changes to pay and conditions across the Group. To this end, the Remuneration Committee receives a summary of the proposed level of average increase for employees prior to the annual salary review. For Executive Directors, the Remuneration Committee does not formally consult with employees on the Executive Remuneration Policy and implementation.

Consideration of shareholder views

The Remuneration Committee maintains a regular dialogue with the Company's major shareholders. During 2025, the Committee engaged with shareholders on the terms of Executive Director and senior leadership remuneration, with the feedback received on the quantum and conditions used by the Committee in its discussions with the Executive Directors and in the determination of the performance conditions for long-term incentives for 2025.

Annual Report on Remuneration

Role of the Committee

The Remuneration Committee has responsibility for determining the policy for Executive Director remuneration and setting remuneration for the Executive Chair and Chief Executive Officer.

Key responsibilities

- Recommending the Remuneration Policy for Executive Directors, whilst considering the remuneration for the Executive Leadership Team and remuneration policies for employees below the Executive
- Approving the principles of IQE's long-term incentives and the parameters, including performance conditions, for the annual awards under long-term incentives
- Maintaining appropriate dialogue with shareholders on remuneration matters
- Preparing the annual Remuneration Report to shareholders to show how the remuneration policy has been implemented in 2025

Membership

- Victoria Hull – Chair
- Carol Chesney
- Maria Marced

Changes to Committee membership

There were no changes to the Committee membership in 2025.

Meetings and attendance

The Remuneration Committee met twice in 2025, although Committee members also met on a number of occasions throughout the year on an informal basis to discuss remuneration and other related topics for the Executive Directors and Executive Leadership Team. The Executive Directors attended meetings to discuss proposed performance ratings for the Executive Directors and the Executive Leadership Team and Remuneration Policy's principles for the workforce. The Executive Directors did not attend those parts of the Committee meetings relating to the Committee's decisions on their own performance and remuneration.

Remuneration Committee role, membership and advice

The primary role of the Remuneration Committee is to determine and agree with the Board fair and reasonable remuneration arrangements for the Chairman and Executive Directors. The main activities of the Remuneration Committee during the year were as follows:

- Reviewed salary increases for IQE's employees, including the Executive Directors and the Executive Leadership Team, ensuring fairness with the wider workforce
- Determined the parameters for a phased share option grant to the Executive Chair
- Reviewed incentive and retention arrangements for the Executive Leadership Team
- Considered proposed workforce policies relating to hybrid working
- Drafted the Directors' Remuneration Report
- Considered benchmarking and advice from independent remuneration consultants, Mercer.

The Remuneration Committee's Terms of Reference are set out on the Company's website at www.iqep.com.

Mercer provides independent advice to the Remuneration Committee. Mercer is a signatory to the Code of Conduct for Remuneration Consultants in the UK, operated by the Remuneration Consultants Group, and which requires all advice to be objective and independent (see www.remunerationconsultantsgroup.com for more information).

Fees of £93,997 inclusive of VAT were paid to Mercer in respect of services it provided to the Company in 2025. The Committee considers that Mercer is independent, does not have any connections with IQE that may impair their independence, and does not provide any services to the Group other than its advice on remuneration.

Board changes

Mark Cubitt, who became Executive Chair on 29 October 2024, received an increase of £75,000 to his fee to £200,000. The increase reflects the additional time required as an Executive, in addition to his role as Chair. In addition, Mark has received quarterly option grants to reflect his contribution to the Strategic Review and to ensure his interests are appropriately aligned with those of shareholders.

Jutta Meier, who was appointed to the Board on 22 January 2024 as Chief Financial Officer and became the Group's permanent Chief Executive Officer on 13 May 2025, received an increase of £125,000 to her salary to £425,000 to reflect her significantly increased role and workload as Chief Executive Officer.

With the Board's agreement and effective from 1 July until 31 December 2025, both Mark and Jutta opted for their pay adjustments that were effective from 1 May 2025 to be received as share options under the Group's existing share option scheme. The options vested monthly and have been exercisable since 1 January 2026.

Single total figure of remuneration for Executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2025 and the prior year:

	Mr Americo Lemos ³		Mrs J Meier ⁵		Mr M Cubitt ⁶		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salary	-	479	321	284	138	22	459	785
Benefits ¹	-	13	25	10	-	-	25	23
Pension ²	-	47	32	23	-	-	32	70
Other allowances ⁷	-	-	42	21	58	29	100	50
Buy out – shares ⁴	-	-	-	200	-	-	-	200
Total fixed	-	539	420	538	196	51	616	1,128
Annual bonus	-	-	-	-	-	-	-	-
Total variable	-	-	-	-	-	-	-	-
Total Executive Remuneration	-	539	420	538	196	51	616	1,128
Non-executive fees	-	-	-	-	-	3	-	3
Total Director Remuneration	-	539	420	538	196	54	616	1,131

1. Benefits consist of health cover, private medical insurance, life assurance, long-term disability insurance, car allowance and travel allowance.
2. Executive Directors are entitled to participate in a defined contribution scheme, in relation to which the Company contributes 10% of salary or equivalent cash allowance.
3. Americo Lemos' annual salary was £575,000. The 2024 salary figure reflects his date of termination on 28 October 2024. He was entitled to payments in lieu of notice totalling £288,000 of which £96,000 was paid within FY24 and £192,000 paid within FY25.
4. Jutta Meier received a new starter award on 22 January 2024 with a value of £200,000 (995,521 share options) with 50% to vest on each of the two anniversary dates.
5. Jutta Meier's annual salary was £300,000 up to 30 April 2025 which increased to £425,000 from 1 May 2025. From July to December 2025, a proportion of salary was exchanged for 766,683 share options which vested on 31 December 2025. The 2024 salary figure reflects her start date of 22 January 2024.
6. Mark Cubitt took on a Non-Executive Director and Chair-elect role for the period from 8 October 2024 to 28 October 2024 with an annual salary of £50,000. From 29 October 2024, he became Executive Chair of IQE with an annual salary of £125,000 which increased to £200,000 from 1 May 2025. From July to December 2025, a proportion of salary was exchanged for 423,209 share options which vested on 31 December 2025.
7. Mark Cubitt received a one-off additional allowance of £87,500 to reflect his significantly increased role and workload as Executive Chair from November 2024, which was paid at the end of April 2025. Jutta Meier received a one-off additional allowance of £62,500 to reflect her increased role and workload as Chief Executive Officer, which was paid at the end of April 2025. The amounts disclosed reflect the pro-rated allowance relating to the year ended 31 December 2024 and 31 December 2025.

Incentive outcomes for year ending 31 December 2025

Annual bonus

Given the Group's ongoing financial position, the Board and Executive Directors decided not to implement an annual bonus scheme for 2025.

Long-term incentive plan

Jutta Meier had a total of 766,683 options that vested monthly between July and December 2025 as part of her pay adjustment further described on page 75. Further to a PDMR disclosure of February 2024, 497,761 options vested as part of Jutta Meier's new starter award. Mark Cubitt had a total of 923,210 options that vested between June and December 2025 as part of his pay adjustment further described on page 75.

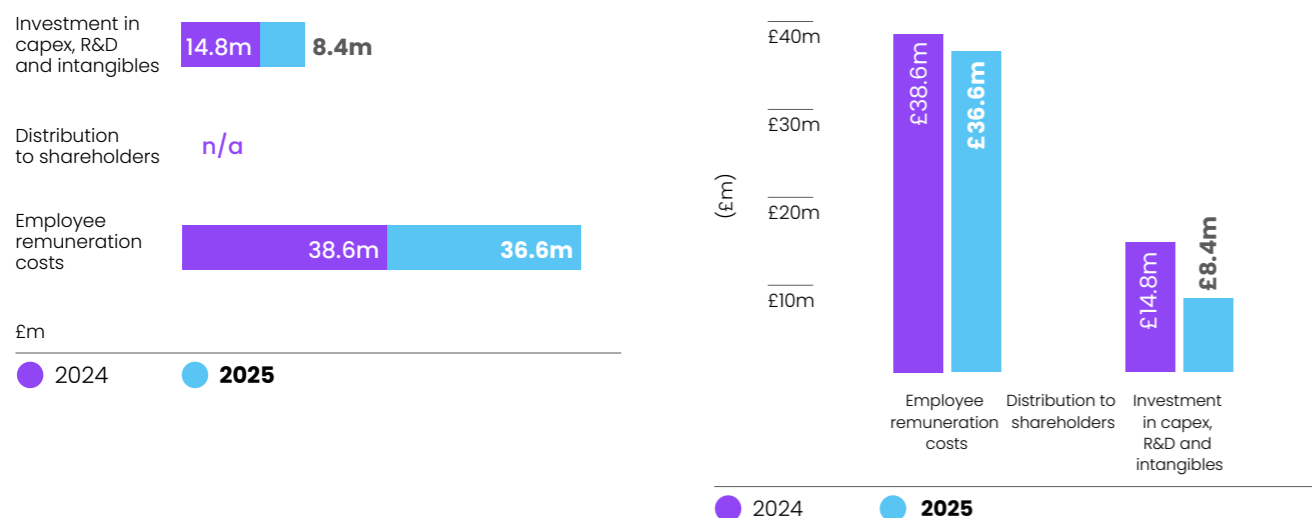
Percentage change in Executive Director remuneration

The table below shows the percentage change in Executive Director remuneration from the prior year compared to the average percentage change in remuneration for other employees. The Executive Director annual remuneration includes base salary, taxable benefits and annual bonus. The percentage change in annual remuneration for other employees is calculated using the average increase in the earnings of all employees who were employed in the UK throughout 2024 and 2025. The Committee considers the UK employee population to be the most appropriate comparison for the CEO vs. other employee pay, as all Executive Directors are currently employed in the UK, our UK employee population includes employees at all levels of the organisation, and pay inflation in our other geographies is affected by different local market factors.

Relative importance of spend on pay

The graph below shows shareholder distributions (i.e. dividends and share buybacks), total employee pay expenditure and investment in capital expenditure, research & development and intangibles for the financial years ended 31 December 2024 and 31 December 2025.

	Employee Remuneration Costs	Distribution to shareholders	Investment in Capex, R&D and intangibles
2024	£38.6m	-	£14.8m
2025	£36.6m	-	£8.4m
Decrease	(5.1%)	n/a	(43.2%)



	Jutta Meier ¹			Mark Cubitt ²			All UK Employees
	2025	2024	Increase	2025	2024	Increase	Increase
	£'000	£'000	%	£'000	£'000	%	%
Salary	321	284	13.0%	138	22	n/a	4.0%
Benefits and pension	57	33	72.7%	-	-	n/a	23.2%
Other allowances	42	21	100%	58	29	100%	n/a
Total	420	338	-	196	51	-	-

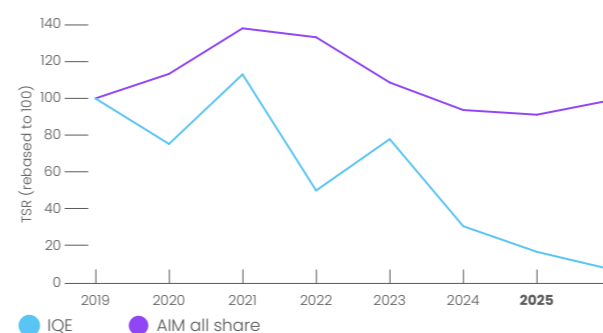
1. Jutta Meier's annual salary was £300,000 up to 30 April 2025 which increased to £425,000 from 1 May 2025. From July to December 2025, a proportion of salary was exchanged for 766,683 share options which vested on 31 December 2025. The 2024 salary figure reflects her start date of 22 January 2024.

2. Mark Cubitt took on a Non-Executive Director and Chair-elect role for the period from 8 October 2024 to 28 October 2024 with an annual salary of £50,000. From 29 October 2024, he became Executive Chair of IQE with an annual salary of £125,000 which increased to £200,000 from 1 May 2025. From July to December 2025, a proportion of salary was exchanged for 423,209 share options which vested on 31 December 2025.

Review of past performance

The following graph charts the Total Share Return ('TSR') of the Company and the FTSE AIM Index (of which IQE is a member) over the period from 1 January 2020 to 31 December 2025. The table below details the Chief Executive's single figure remuneration over the same period.

Historical TSR performance



Historical CEO Remuneration

Historical CEO Remuneration	2021	2022	2023	2024	2025
CEO single figure of remuneration (£'000)	507	643	649	579	420
STI award as a % of maximum opportunity	0%	0%	0%	0%	0%
LTI award as a % of maximum opportunity	0%	0%	0%	0%	0

The 2024 figure includes Americo Lemos' remuneration to the date of his termination on 28 October 2024.

Jutta Meier's remuneration is included from 29 October 2024 to 31 December 2024.

Scheme interests awarded in 2025 (audited information)

Jutta Meier was granted 5,666,667 nominal priced share options on 8 June 2025. This award will vest after three years subject to the achievement of certain financial and strategic performance conditions. Jutta also received 766,683 nominal priced share options on 1 July 2025 in exchange for a portion of her salary during the period 1 July 2025 to 31 December 2025.

Mark Cubitt was granted 423,209 nominal priced share options on 1 July 2025 in exchange for a portion of his fee during the period 1 July 2025 to 31 December 2025. Mark also received 166,667 nominal priced share options on 8 June 2025, 1 September 2025 and 1 December 2025 to reflect his time commitments to the Strategic Review whilst it was ongoing as Executive Chair.

Payment on loss of office (audited information)

None

Payments to past Directors (audited information)

The former CEO, Americo Lemos, received medical benefits totalling £16,000 until September 2025.

Single total figure of remuneration for Non-Executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2025 and the prior year:

NED Fees	NED fees		Other		Total	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Phil Smith	-	112	-	-	0	112
Carol Chesney	50	50	-	-	50	50
Andrew Nelson	-	35	-	-	0	35
Victoria Hull	50	50	-	-	50	50
Maria Marced	50	50	-	-	50	50
Bami Bastani	50	50	-	-	50	50

Annual Report on Remuneration *continued*

Directors' interests (audited information)

A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2025 is set out below.

Since 1 January 2025 there have been the following changes in Directors' interests in shares:

2025	Shares owned outright as at 1 Jan 2025	Shares owned outright as at 31 Dec 2025	Shareholding requirement % salary/fee	Current shareholding % salary/fee
Jutta Meier	-	-	200%	0%
Mark Cubitt	-	-	n/a	n/a
Maria Marced	179,579	179,579	n/a	n/a
Bami Bastani	171,000	171,000	n/a	n/a
Harmesh Suniara	-	-	n/a	n/a
Carol Chesney	90,000	90,000	n/a	n/a
Victoria Hull	281,192	281,192	n/a	n/a

2024	Shares owned outright as at 01 Jan 2024 (restated)	Shares owned outright as at 31 Dec 2024 (restated)	Shareholding requirement % salary/fee	Current shareholding % salary/fee
Andrew Nelson	44,867,587	38,835,514	n/a	n/a
Americo Lemos	9,837,469	9,837,469	200%	228%
Jutta Meier	-	-	200%	-
Mark Cubitt	-	-	n/a	n/a
Phil Smith	140,000	140,000	n/a	n/a
Maria Marced*	179,579	179,579	n/a	n/a
Bami Bastani*	171,000	171,000	n/a	n/a
Carol Chesney	90,000	90,000	n/a	n/a
Victoria Hull	281,192	281,192	n/a	n/a

*Maria Marced and Bami Bastani shareholdings have been restated to reflect shares purchased prior to their appointment as directors which were omitted from the 2024 Directors' interests disclosure.

Directors' outstanding share awards (audited information)

2025	Unvested and subject to continued performance	Vested but unexercised	Vested during year	Lapsed during year	Exercised during year
Jutta Meier	7,024,519	1,264,444	1,264,444	-	-
Mark Cubitt	-	923,210	923,210	-	-

2024	Unvested and subject to continued performance	Vested but unexercised	Vested during year	Lapsed during year	Exercised during year
Americo Lemos	-	-	-	8,815,591	-
Jutta Meier	1,855,613	-	-	-	-

Convertible loan notes

2025	No. of loan notes with an option to convert to equity	No. of shares if loan notes converted
Mark Cubitt	235,294	1,568,627
Bami Bastani	94,118	627,451

Summary of shareholder voting at the 2025 AGM

Results of the vote on the Remuneration Report at the IQE's AGM on 30 June 2025 are as below:

	Total number of votes	% of votes cast
For (including discretionary)	422,991,031	99.68
Against	1,345,167	0.32
Total votes cast (excluding withheld votes)	424,336,198	100
Votes withheld	333,993	-
Total votes cast (including withheld votes)	424,670,191	100



Directors' Report

The Directors present their Annual Report and the Financial Statements for IQE plc (the "Company") for the year ended 31 December 2025.

Principal Activities and Future Development

The Company is the ultimate holding company of a group of subsidiary undertakings (the "Group") engaged in the research, design, development, manufacture and sale of compound semiconductor materials. An overview of our principal activities and an indication of likely future developments in the Group is given in the Strategic Report.

Strategic Report

The Strategic Report is set out on pages 2 to 49 of the Annual Report.

Directors & Directors' Interests

Biographies of all of the Company's Directors at the date of this Annual Report, including Non-Executive Directors, appear on page 53 of the Annual Report.

The beneficial interests of the Directors in the Company's share capital is shown on page 78 of the Remuneration Report.

No Director was beneficially interested in the shares of any subsidiary company at any time during the year.

In the year to 31 December 2025, other than in respect of Mark Cubitt, Harmesh Suniara and Bami Bastani, no Director had a material interest in any contract of significance with the Company or any of its subsidiaries. Mark Cubitt and Bami Bastani participated in the Company's convertible loan note financing which completed in March 2025.

Insurance and Indemnities

The Group maintains insurance to cover its Directors and officers against their costs in defending themselves in legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. In addition, to the extent permitted by UK law, the Group indemnifies its Directors and officers for liabilities arising from such proceedings. Neither the insurance nor the indemnity provides cover for situations where the Director has acted fraudulently or dishonestly.

Risk Management and Principal Risks

A description of risk management and the principal risks facing the business are set out on pages 42 to 47 of the Annual Report.

Auditor and Disclosure of Information to the Auditor

The Company's auditor throughout the period of this Annual Report was KPMG LLP, who were appointed in December 2017.

As at the date of the approval of this Annual Report, as far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all such steps as he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Share Capital

The Company's share capital is made up of one class of ordinary shares of 1p each which each carry one vote at general meetings of the Company. Except as set out in the Articles of Association or in applicable legislation, there are no restrictions on the transfer of shares in the Company and there are no restrictions on the voting rights in the Company's shares. The full rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Company's Articles of Association, a copy of which is available on the Company's website. These can also be obtained from Companies House or by writing to the General Counsel and Company Secretary.

The Company is not aware of any agreements entered into between any shareholders in the Company which restrict the transfer of shares or the exercise of any voting rights attached to the shares. The Company has not acquired any of its own shares during 2025 (2024: nil).

Substantial shareholdings

As at 30 April 2026, the following are beneficial interests of 3% or more (where the holding is direct) or of 5% or more (where the holding is indirect) which have been notified to the Directors of the Company.

Shareholder	Shares	Issued capital %
Lombard Odier Investment Managers	139,179,293	14.20
Artisan Partners	130,367,739	13.30
Interactive Brokers	78,890,674	8.05
Hargreaves Lansdown	62,222,682	6.35
Mr Richard Griffiths	56,723,492	5.79
Interactive Investors	55,978,915	5.71
Dr Andrew Nelson	35,398,548	3.61

* Source: Equiniti Investor Analytics

Going Concern

In the twelve months to 31 December 2025, reported revenue declined to £97,300,000, the Group made a loss after tax for the year of £36,695,000 and adjusted net debt increased to £31,484,000.

In assessing the going concern basis of preparation, the Directors have prepared forecasts and cash flow projections containing both a 'base case' and a 'severe but plausible downside case' for a period of at least 12 months from the date of approval of these financial statements. These forecasts include the impact of the £81m Fundraising completed on 28 May 2026 (see Note 33).

On the basis of the completed Fundraising, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis. Details of the going concern assumption and basis of accounting is set out in Note 2.2 to the financial statements.

Dividends

The Directors do not recommend the payment of a dividend (2024: £nil).

Political Donations

The Group has a policy of not making political donations and no political donations were made during the year (2024: nil).

Climate Change, Greenhouse Gas and Energy Emissions

The Group recognises Climate Change is a key challenge for the world and is working to minimise its environmental impact through a rigorous environmental management system, in order to minimise greenhouse gas (GHG) and energy emissions. We recognise that as a technology leader, IQE is in a unique position to be able to improve energy efficiency through our products.

Our approach to environmental protection is underpinned by our Environmental Policy and Environmental Management System, which ensures all our sites operate in compliance with ISO 14001 requirements. We target minimisation of GHG and energy emissions, as well as focusing on waste, water and recycling initiatives.

Details of our GHG and energy emissions figures, as well as the measures we are undertaking to promote energy efficiency, including incorporating energy-saving features into facility design, can be found on pages 40 to 41.



Mark Cubitt

Chair

28 May 2026

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

Principal Activities and Future Development

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange, they are required to prepare the Group's financial statements in accordance with UK adopted international accounting standards and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK adopted international accounting standards;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they intend either to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. The Directors have also decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board and signed on its behalf by:



Mark Cubitt

Chair

28 May 2026

Non-Financial and Sustainability Information Statement

The table below outlines how we meet the non-financial and reporting requirements set out in the Companies Act 2006. Our business model is set out on pages 12 to 14. Our vision and mission statements are described on page 1, and on pages 31 to 41 we set out how we act as a responsible business.

Requirement	Information necessary to understand our business	Key policies
Environmental matters	Our Group policies that support environmental matters help keep our people and communities safe. Sustainability – see page 39. Emissions performance – see page 40.	Environmental Policy Code of Conduct
Colleagues	IQE promotes a safe working culture where all of our colleagues, whichever their diverse background, feel welcomed and belong. Our HR and ethics policies help to support this ambition.	Code of Conduct Health and Safety Policies Dignity at Work Policy Paternity Leave Policy Whistleblowing Policy Flexible Working Policy Hybrid Working Policy
Social matters	Our Code of Conduct helps our people to do the right thing and is a framework for responsible business practices. Ethical standards – page 33. Community engagement – page 36. Health and Safety – pages 38 to 39. Environmental performance – pages 40 to 41.	Code of Conduct Environment Policy Health and Safety Policies
Human rights	We consider our value chain when considering human rights, including our own operations, suppliers and customers. Suppliers – page 32. Anti-Slavery Statement – page 33. Whistleblowing and Speak-Up Statement – page 33.	Code of Conduct Anti-Slavery Statement Data Protection Policy Whistleblowing Policy
Anti-corruption and anti-bribery	Our Group global policies support compliance with international laws relating to anti-bribery and corruption. Ethical standards – page 33.	Code of Conduct Anti-Bribery and Corruption Policy Gifts and Hospitality Policy
Principal risks	Risk Management – page 42.	



Financial
statements



Independent auditor's report

to the members of IQE plc

1. Our opinion is unmodified

We have audited the financial statements of IQE Plc ("the Company") for the year ended 31 December 2025 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cashflow statement, parent Company balance sheet, parent Company statement of changes in equity, parent Company cashflow statement and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2025 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality:	£0.78m (2024:£0.96m)	
Group financial statements as a whole	0.80% (2024: 0.81%) of revenue	
Key audit matters vs 2024		
Recurring risks	Carrying amount of Wireless and Photonics cash generating units	◀▶
	Revenue recognition	◀▶
	Going Concern	▼
Parent Company Only	Recoverability of parent company's investment in subsidiaries	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

The risk	Our response
<p>Carrying amount of Wireless and Photonics cash generating units</p> <p>(Wireless - £66.1 million; 2024: £88.3 million Photonics - £101.4 million; 2024: £121.2 million Wireless Impairment - nil; 2024:£3.1 million Photonics Impairment - £7.2 million, 2025: nil)</p> <p>Risk vs 2024: ◀▶</p> <p><i>Refer to page 61 (Audit committee report), note 2.5 and 2.8 (accounting policy), note 3.1 (accounting estimate) and note 13 (financial disclosures)</i></p>	<p>Forecast based assessment</p> <p>The carrying amount of the Wireless and Photonics cash generating units are at an increased risk of irrecoverability. This is due to a slower than expected recovery in the semiconductor market, driven by geopolitical factors and weak demand in certain end markets.</p> <p>The market capitalisation at 31 December 2025 was below total net assets. This is therefore a potential impairment indicator.</p> <p>The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting future revenue growth and applying an appropriate discount factor.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the value in use has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 13) disclose the sensitivities estimated by the Group.</p> <p>We also identified a fraud risk related to the estimation of the recoverable amount of the Wireless and Photonics cash generating units in response to possible pressures on the Group arising from the announced strategic review, which was not concluded at the balance sheet date.</p>
	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Benchmarking assumptions: Comparing the Group's assumptions, in particular those relating to forecast revenue growth to externally derived data, such as independent market reports and customer communications where available. — Personnel interviews: We held discussions with the Group Chief Revenue Officer to corroborate our understanding of future uses for technologies and routes to market to challenge the future revenue growth assumption. — Benchmarking Assumptions: We derived a reasonable range of appropriate discount rates independently, developed through external market data, and compared these with those calculated by the Group. — Historical comparisons: We considered forecasting accuracy when preparing forecast data by performing retrospective review of historical forecasts to actuals for revenue growth. — Sensitivity analysis: We performed reasonably foreseeable scenario analysis on the discount rate and growth assumptions included in the forecast. — Comparing valuations: Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. — Assessing transparency: Assessing whether the Group's disclosures about the sensitivity of the outcome of impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of the Wireless and Photonics cash generating units. <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p>



Independent Auditor's Report *continued*

2. Key audit matters: our assessment of risks of material misstatement

The risk	Our response
<p>Revenue recognition (£97.3 million; 2024: £118 million)</p> <p><i>Refer to page 61 (Audit Committee Report), note 2.22 (accounting policy) and note 4.3 (financial disclosures).</i></p>	<p>Fraud risk related to revenue recognised in the incorrect period</p> <p>Due to the Group's continued subdued performance, there are pressures on achieving internal and external expectations of results because of the announcement of the Strategic review, in particular Revenue and Adjusted EBITDA targets, therefore there may be an incentive to accelerate the recognition of revenue in the cut-off period.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> — Test of detail: We agreed a sample of sales transactions arising around the year end based on their financial significance, to purchase order and external delivery confirmation, to assess whether the performance obligation has been met and that revenue has not been overstated in the year. — Test of detail: We agreed a sample of inventory quantities used in the year end revenue recognition adjustment to inventory and purchase order. <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p>
<p>Going concern Risk vs 2024: ▼</p> <p><i>Refer to pages 61 (Audit committee report)</i></p>	<p>Disclosure quality</p> <p>The directors have concluded that it is appropriate to adopt the going concern basis of preparation and that no material uncertainty exists for the Group and parent Company for the reasons set out in note 2.2.</p> <p>During planning and the course of our audit, we considered that the requirement to raise financing to repay existing loan notes and facilities was a condition that could have given rise to a material uncertainty. As such, at planning, the risk for our audit was whether that risk was such that it amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern and whether the financial statements adequately disclosed the related uncertainties. As such this was an area of the audit that involved some of the most audit effort.</p> <p>As described in note 2.2, the Group completed their fundraising on 28 May 2026. In conducting our final audit work, we reassessed the level of risk relating to the directors' conclusion. As a result, we reassessed the risk to our audit and agree with the directors that the assessment of the going concern is not a significant judgement in these financial statements.</p> <p>As such, the remaining risk for our audit was over the adequacy of the disclosures of the circumstances. We also performed procedures over evidence of the final funding position and its adequacy for the going concern assessment.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> — Funding assessment: We monitored the progress of the Group's strategic review through to the completion of the Fundraising. We inspected agreements made as part of the resulting Fundraise and assessed the terms of associated agreements. We agreed the expected cashflows subsequent to completion of the transaction to supporting lender and share documentation. — Funding assessment: We assessed the entity's liquidity position, including the impact of repayments of the Revolving Credit Facility (RCF) and Convertible Loan Notes (CLN). We inspected confirmation of the waiver of the December 2025 covenant requirements by the Group's lenders in that month. — Benchmarking assumptions: We benchmarked the key assumptions to wider market commentary and market research reports — Sensitivity analysis: We assessed the downside sensitivities to ensure that the directors had appropriately considered the impact of the severe but plausible downside scenario where trading is not in line with forecast. — Assessing transparency: We considered whether the going concern disclosures in note 2.2 to the financial statements give a full and accurate description of the directors' assessment of going concern and related sensitivities.

2. Key audit matters: our assessment of risks of material misstatement

The risk	Our response
<p>Parent Company: Recoverability of parent Company's investments in subsidiaries (Investments: £65.6 million; 2024: £80.6 million)</p> <p>Impairment: £17.2 million, 2024: nil</p> <p>Reversal of impairment: nil, 2024: £18.6 million)</p> <p>Risk vs 2024: ◀▶</p> <p><i>Refer to note 2.29 (accounting policy) and note 16 (financial disclosures).</i></p>	<p>Low risk, high value</p> <p>The carrying amount of the parent company's investments in subsidiaries represents 34% (2024: 39%) of the company's total assets.</p> <p>The recoverable amount of the investments is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows however, this is not considered to be at a high risk of significant misstatement. Due to their size in the context of the parent company financial statements, this is considered to be the area which has the greatest impact on the parent company audit.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> — Test of detail: We compared the carrying amount of 100% of investments to the net assets of the relevant subsidiary included within the group consolidation to identify whether the net asset value, being an approximation of the minimum recoverable amount, was in excess of their carrying amount and assessed whether those subsidiaries have historically been profit-making. — Assessing subsidiary audit: We considered the results of our work on all of those subsidiaries' profits and net assets. — Comparing valuations: For the investments where the carrying amount exceeded the net asset value, we compared their carrying amount with the expected value of the business based on the subsidiaries' forecast profitability and cashflows. <p>We performed the tests above rather than seeking to rely on any of the parent company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p>

Independent Auditor's Report *continued*

3. Our application of materiality and an overview of the scope of our audit

Our application of materiality

Materiality for the Group financial statements as a whole was set at £0.78m (2024: £0.96m), determined with reference to a benchmark of Group revenue of which it represents 0.80% (2024: 0.81%). We consider total Group revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group loss before tax because of significant fluctuations in recent years.

Materiality for the parent Company financial statements as a whole was set at £0.77m (2024: £0.95m), determined with reference to a benchmark of Company total assets, of which it represents 0.40% (2024: 0.45%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2024: 65%) of materiality for the financial statements as a whole, which equates to £507,000 (2024: £624,000) for the Group and £500,000 (2024: £617,000) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies identified in prior years.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £39,000 (2024: £43,200), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

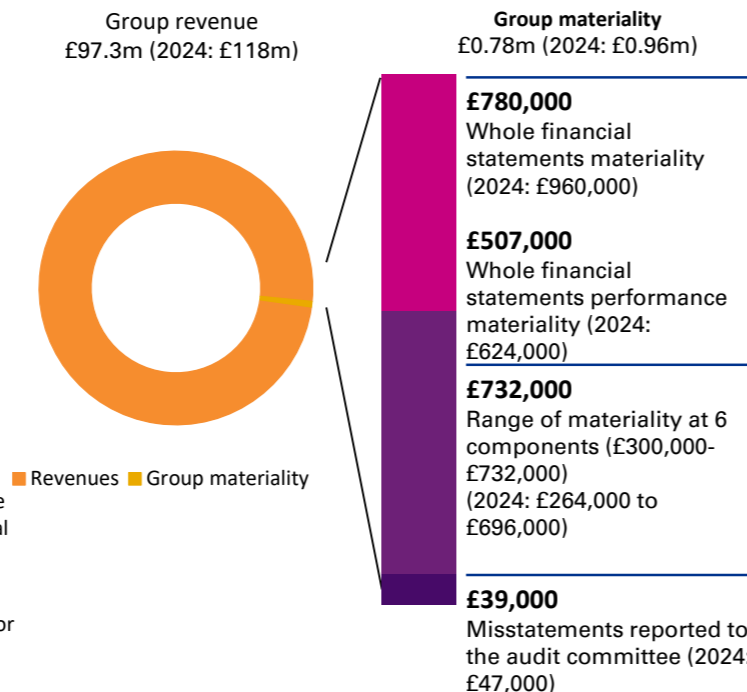
We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 15 (2024: 18) components, having considered our evaluation of the Group's operational structure and our ability to perform audit procedures centrally.

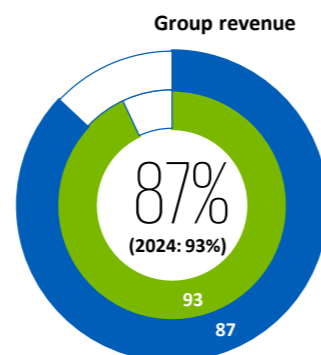
Of those, we identified 6 (2024: 5) quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

We identified no components (2024: 1) requiring special audit consideration. In the prior year, this related to risks over revenue and related accounts, costs and inventory.

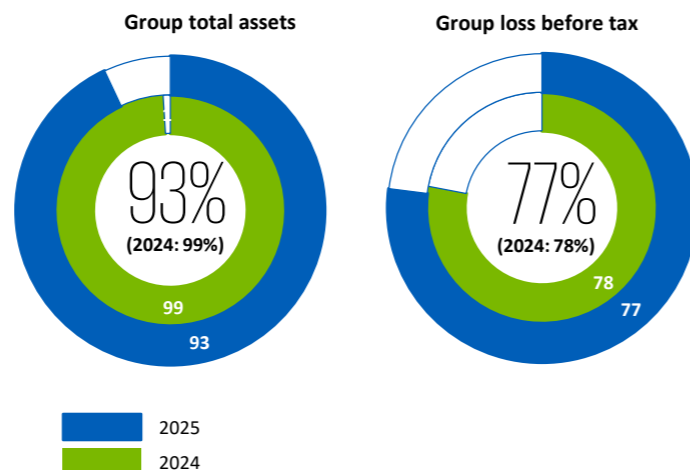
Additionally, we selected 2 (2024: 3) components with accounts and/or disclosures contributing to the specific risks to the Group financial statements.



Our audit procedures covered the following percentage of Group revenue:



We performed audit procedures in relation to components that accounted for the following percentages of Group profit before tax and Group total assets:



Legend: 2025 (Blue), 2024 (Green)

3. Our application of materiality and an overview of the scope of our audit (cont.)

Accordingly, we performed audit procedures on 8 (2024: 9) components. We involved component auditors on 1 (2024: 1 component).

We set the component materialities, ranging from £300,000 to £732,000 (2024: £264,000 to £696,000), having regard to size and risk profile.

Our audit procedures covered 87% (2024: 93%) of Group revenue. We performed audit procedures in relation to component that accounted for 77% (2024: 78%) of the total profits and losses that made up Group loss before tax and 93% (99%) of Group total assets.

For the remaining components, no component represented more than 10% (2024: 5%) of Group total revenue, Group loss before tax or Group total assets. We performed analysis at a Group level to re-examine our assessment that there is not a risk of material misstatement relating to these components.

The Group auditor performed the audit of the parent Company.

Group auditor oversight

In working with the component auditor, we:

- Included the component auditors' engagement partners and managers in the Group planning discussions to facilitate inputs from component auditors in the identification of matters relevant to the Group audit, including the key audit matter in respect of revenue recognition.
- Issued Group audit instructions to component auditors on the scope and nature of their work.
- We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed, with a particular focus on work related to revenue recognition and journal entries.

Impact of controls on our audit

The Group has three main IT systems relevant to our group audit, being:

- ERP system used by one out-of-scope component;
- ERP system used by all remaining in-scope components; and
- Inventory management system used for managing itemised inventory with quantities and recording movements.

We obtained an understanding of these IT systems in the current period and identified that the Group does not rely on automated controls in their financial reporting process. Our knowledge of the general control environment obtained in the current year and previous audits indicated that we would be unlikely to obtain the required evidence to support reliance on IT controls. In addition, whilst the majority of components use the same ERP system, a number of versions of that ERP system is used within the Group and therefore there are multiple instances of similar controls. As a result, we did not plan to rely on the Group's general IT controls in our audit and instead planned additional substantive testing.

Manual control deficiencies, including in relation to journals, were identified across the Group which, following incremental risk assessment, didn't lead to significant changes to our planned audit approach or to identification of additional fraud risks, but resulted in a primarily substantive audit approach being undertaken in all areas of the audit.

We adopted a data-oriented approach to testing journals across all components and in one component used data and analytical routines to test revenue. Given that we did not rely on IT controls, a manual testing approach was performed over the completeness and accuracy of data used in these routines and in respect of system data used in our substantive testing on other transactional areas.

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in section 2 of our report. Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement on page 105 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group and Company's ability to continue to use that basis for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit Committee and the Company Secretary and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Remuneration Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for directors and management including bonus targets and Long Term Incentive Plan EPS growth targets for director and management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

Risk communications

We communicated identified fraud risks throughout the audit and remained alert to any indications of fraud throughout the audit. This included communication from the Group auditor to the component auditor of relevant fraud risks identified at the Group level and requesting the component auditor performing procedures at the component level to report to the Group auditor any identified fraud risk factors or identified or suspected instances of fraud.

Fraud risks

As required by auditing standards, and taking into account our overall knowledge of the control environment and possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is overstated through recording revenue in the wrong period.

We also identified a fraud risk related to the carrying amount of Wireless and Photonics cash generating units in response to the Group’s announced strategic review.

Link to KAMs

Further detail in respect of risk over fraudulent revenue recognition and the fraud risk relating to the carrying amount of the Wireless and Photonics cash generating units in response to the Group’s strategic review is set out in the key audit matter disclosures in section 2 of this report.

Procedures to address fraud risks

We also performed procedures including:

- Identifying journal entries to test at selected components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to revenue and cash accounts with an unusual account pairing.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and others within management (as required by auditing standards) and discussed with the directors and others within management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to the one component auditor of relevant laws and regulations identified at the Group level, and a request for the component auditor to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and hazardous material legislation, environmental legislation, export control legislation, anti-bribery, employment law and certain aspects of company legislation, recognising the nature of the Group’s global manufacturing and development activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors’ report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors’ report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors’ remuneration report

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors’ Remuneration Report that is described as having been audited, which the Directors have decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, as if those requirements applied to the Company.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors’ disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the Directors’ confirmation within the Viability statement on page 48 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

- the principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors’ explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group’s and Company’s longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors’ corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors’ statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group’s risk management and internal control systems.

In addition to our audit of the financial statements, the Directors have engaged us to review their Corporate Governance Statement as if the Company were required to comply with the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review the part of the Corporate Governance Statement relating to the Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review. We have nothing to report in this respect.

Independent Auditor's Report *continued*

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report which we were engaged to audit are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 82, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Kate Teal
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
 66 Queen Square
 Bristol
 BS1 4BE
 28 May 2026



Five-year financial summary

	2025 £'000	2024 £'000	2023 £'000	2022 £'000	2021 £'000
Revenue	97,300	118,034	115,252	167,494	154,096
Adjusted EBITDA (see below)	3,237	8,112	4,313	23,365	18,679
Operating loss					
• Adjusted*	(20,964)	(18,357)	(20,199)	(3,557)	(6,454)
• Reported	(30,059)	(32,958)	(25,779)	(72,976)	(19,978)
Loss after tax					
• Adjusted*	(27,439)	(23,734)	(23,990)	(5,920)	(19,281)
• Reported	(36,695)	(38,178)	(29,378)	(74,541)	(31,002)
Net cash flow from operations					
Adjusted* (note 5)	11,180	6,087	15,744	15,652	17,940
Reported	8,070	1,282	10,074	8,873	18,883
Free cash flow**					
Before adjusted* cash flows	2,037	(4,948)	(3,128)	4,148	(1,640)
Reported	(1,073)	(9,753)	(8,798)	(2,631)	(697)
Adjusted net (debt)/cash***	(31,484)	(18,800)	(2,228)	(15,248)	(5,804)
Equity shareholders' funds	89,694	134,110	169,785	175,060	234,621
Basic EPS – adjusted****	(2.82p)	(2.46p)	(2.68p)	(0.74p)	(2.41p)
Basic EPS – unadjusted	(3.77p)	(3.96p)	(3.28p)	(9.27p)	(3.87p)
Diluted EPS – adjusted****	(2.82p)	(2.46p)	(2.68p)	(0.74p)	(2.41p)
Diluted EPS – unadjusted	(3.77p)	(3.96p)	(3.28p)	(9.27p)	(3.87p)

* The adjusted performance measures for 2025 and 2024 are reconciled in Note 5. The adjusted performance measures for 2021–2023 are reconciled in those financial statements.

** Free cash flow is defined as net cash inflow of £11,155,000 (2024: outflow of £910,000) before cash inflows from financing activities of £15,821,000 (2024: £12,160,000) and net interest paid of £3,593,000 (2024: £3,317,000).

*** Adjusted net (debt)/cash is defined as cash less borrowings but excluding lease liabilities and fair value gains/losses on derivative instruments.

**** Adjusted EPS measures exclude the impact of certain non-cash charges, non-operational items and significant infrequent items that would distort period-on-period comparability (see Note 12).

Adjusted EBITDA has been calculated as follows:

	2025 £'000	2024 £'000	2023 £'000	2022 £'000	2021 £'000
Loss after tax	(36,695)	(38,178)	(29,378)	(74,541)	(31,002)
Tax (credit)/charge	(339)	1,273	567	(862)	8,811
Interest income	(294)	–	–	–	–
Interest expense	7,269	3,947	3,032	2,427	2,213
(Profit)/Loss on disposal of PPE and intangibles	–	(62)	(152)	628	(77)
Adjusted items	9,095	14,601	5,580	69,419	13,524
Depreciation of PPE	16,021	16,552	13,186	14,529	13,309
Depreciation of right-of-use asset	3,592	3,791	3,790	3,981	3,854
Amortisation of intangible assets	4,588	6,390	7,688	7,784	8,047
Gain on remeasurement of right-of-use assets	–	(202)	–	–	–
Adjusted EBITDA	3,237	8,112	4,313	23,365	18,679

Consolidated income statement

for the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Revenue	4	97,300	118,034
Cost of sales		(95,948)	(113,588)
Gross profit		1,352	4,446
Selling, general and administrative expenses		(27,758)	(29,982)
Impairment loss on intangible assets	5	(9,586)	(3,772)
Impairment loss on property, plant and equipment	5	(402)	(4,615)
Impairment loss on right-of-use asset	5	(245)	(31)
Gain on disposal of foreign operation	5	8,167	–
Gain on remeasurement of right-of-use asset	5	–	202
Impairment loss on trade receivables and contract assets	23	(787)	(3)
(Loss)/profit on disposal of intangible assets and property, plant and equipment	5	(800)	797
Operating loss	6	(30,059)	(32,958)
Finance income		294	–
Finance costs	8	(7,269)	(3,947)
Adjusted loss before income tax		(27,939)	(22,304)
Adjustments	5	(9,095)	(14,601)
Loss before income tax		(37,034)	(36,905)
Taxation	9	339	(1,273)
Loss for the year		(36,695)	(38,178)
Loss attributable to:			
Equity shareholders		(36,695)	(38,178)
		(36,695)	(38,178)
Loss per share attributable to owners of the parent during the year			
Basic loss per share	12	(3.77p)	(3.96p)
Diluted loss per share	12	(3.77p)	(3.96p)

Adjusted basic and diluted loss per share are presented in Note 12.

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

The notes on pages 105 to 153 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2025

	2025 £'000	2024 £'000
Loss for the year	(36,695)	(38,178)
Exchange differences on translation of foreign operations*	(3,508)	(826)
Cumulative exchange differences on disposal of foreign operations**	(8,167)	–
Total comprehensive expense for the year	(48,370)	(39,004)
Total comprehensive expense attributable to:		
Equity shareholders	(48,370)	(39,004)
	(48,370)	(39,004)

* Items that may subsequently be reclassified to profit or loss.

** During the year the Group liquidated its Singapore entities, MBE Technology Pte Ltd and CSDC Private Ltd. On liquidation, the cumulative foreign exchange translation gain of £8,167,000 previously recognised in equity was reclassified to profit or loss in accordance with IAS 21.48(c). No proceeds were received on liquidation.

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive expense is disclosed in Note 9.

The notes on pages 105 to 153 form an integral part of these consolidated financial statements.

Consolidated balance sheet

as at 31 December 2025

	Note	2025 £'000	2024 £'000
Non-current assets			
Intangible assets	13	17,244	28,950
Property, plant and equipment	14	95,253	113,674
Right-of-use assets	15	38,146	42,210
Deferred tax assets	10	282	–
Total non-current assets		150,925	184,834
Current assets			
Inventories	17	18,665	20,009
Trade and other receivables	18	28,093	37,424
Cash and cash equivalents		15,653	4,660
Assets held for resale	19	–	120
Total current assets		62,411	62,213
Total assets		213,336	247,047
Current liabilities			
Trade and other payables	20	(29,345)	(34,405)
Current tax liabilities		(27)	(428)
Bank borrowings	21	(26,816)	–
Convertible loan notes	21	(20,321)	–
Lease liabilities	21	(4,691)	(5,658)
Provisions for other liabilities and charges	22	(645)	(774)
Total current liabilities		(81,845)	(41,265)
Non-current liabilities			
Trade and other payables	20	(1,683)	(2,035)
Bank borrowings	21	–	(23,460)
Lease liabilities	21	(39,862)	(44,872)
Deferred tax liabilities	10	–	(774)
Provisions for other liabilities and charges	22	(252)	(531)
Total non-current liabilities		(41,797)	(71,672)
Total liabilities		(123,642)	(112,937)
Net assets		89,694	134,110
Equity attributable to the shareholders of the parent			
Share capital	24	9,783	9,672
Share premium		155,972	155,972
Retained losses		(122,339)	(85,644)
Exchange rate reserve		19,946	31,621
Other reserves		26,332	22,489
Total equity		89,694	134,110

The notes on pages 105 to 153 form an integral part of these consolidated financial statements. The financial statements on pages 96 to 153 were authorised for issue by the Board of Directors and approved on 28 May 2026 and were signed on its behalf.



Mrs J Meier

Consolidated statement of changes in equity

for the year ended 31 December 2025

	Share capital £'000	Share premium £'000	Retained earnings/ (losses) £'000	Exchange Rate reserve £'000	Other reserves £'000	Total equity £'000
At 1 January 2025	9,672	155,972	(85,644)	31,621	22,489	134,110
Comprehensive expense						
Loss for the year	–	–	(36,695)	–	–	(36,695)
Other comprehensive expense for the year	–	–	–	(11,675)	–	(11,675)
Total comprehensive expense for the year	–	–	(36,695)	(11,675)	–	(48,370)
Transactions with owners						
Share-based payments	–	–	–	–	3,637	3,637
Proceeds from shares issued	111	–	–	–	–	111
Equity component of convertible loan notes (Note 21)	–	–	–	–	206	206
Total transactions with owners	111	–	–	–	3,843	3,954
At 31 December 2025	9,783	155,972	(122,339)	19,946	26,332	89,694
	Share capital £'000	Share premium £'000	Retained earnings/ (losses) £'000	Exchange Rate reserve £'000	Other reserves £'000	Total equity £'000
At 1 January 2024	9,615	155,844	(47,466)	32,447	19,345	169,785
Comprehensive expense						
Loss for the year	–	–	(38,178)	–	–	(38,178)
Other comprehensive expense for the year	–	–	–	(826)	–	(826)
Total comprehensive expense for the year	–	–	(38,178)	(826)	–	(39,004)
Transactions with owners						
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

Other reserves relate to share-based payments.

The notes on pages 105 to 153 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Adjusted cash inflow from operations		11,180	6,087
Cash impact of adjustments	5	(3,110)	(4,805)
Cash generated from operations	27	8,070	1,282
Interest received		294	–
Interest paid		(3,887)	(3,317)
Income tax paid		(754)	(841)
Net cash generated from/(used in) operating activities		3,723	(2,876)
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,092)	(11,359)
Purchase of intangible assets		(165)	(1,609)
Capitalised development expenditure		(3,096)	(1,877)
Proceeds from disposal of property, plant and equipment, assets held for sale and intangible assets		114	4,906
Acquisition of subsidiary, net of cash received*		(150)	(255)
Adjusted cash used in investing activities		(8,503)	(15,022)
Cash impact of adjustments – proceeds from disposal of property, plant and equipment	5	114	4,828
Net cash used in investing activities		(8,389)	(10,194)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		111	185
Issue of convertible loan notes	21	18,000	–
Expenses associated with the issuance of convertible loan notes	21	(715)	–
Proceeds from bank borrowings	29	4,105	19,493
Repayment of bank borrowings	29	–	(4,048)
Payment of lease liabilities	29	(5,680)	(3,470)
Net cash generated from financing activities		15,821	12,160
Net increase/(decrease) in cash and cash equivalents		11,155	(910)
Cash and cash equivalents at 1 January		4,660	5,617
Exchange losses on cash and cash equivalents		(162)	(47)
Cash and cash equivalents at 31 December		15,653	4,660

The notes on pages 105 to 153 form an integral part of these consolidated financial statements.

* Acquisition of subsidiary, net of cash received relates to deferred consideration paid in respect of the Group's acquisition of Compound Semiconductor Centre Limited in 2023.

Parent company balance sheet

for the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Non-current assets			
Intangible assets	13	7,360	8,741
Property, plant and equipment	14	8	5
Investments	16	65,625	80,608
Deferred tax assets	10	–	–
Trade and other receivables	18	109,904	118,032
Total non-current assets		182,897	207,386
Current assets			
Trade and other receivables	18	2,082	1,636
Cash and cash equivalents		6,696	306
Total current assets		8,778	1,942
Total assets		191,675	209,328
Current liabilities			
Trade and other payables	20	(11,112)	(40,037)
Bank borrowings	21	(26,816)	–
Convertible loan notes	21	(20,321)	–
Provisions for other liabilities and charges	22	(224)	(200)
Total current liabilities		(58,473)	(40,237)
Non-current liabilities			
Bank borrowings	21	–	(23,460)
Provisions for other liabilities and charges	22	–	(280)
Total non-current liabilities		–	(23,740)
Total liabilities		(58,473)	(63,977)
Net assets		133,202	145,351
Shareholders' equity			
Share capital	24	9,783	9,672
Share premium		155,972	155,972
Retained losses		(59,067)	(42,964)
Other reserves		26,514	22,671
Total equity		133,202	145,351

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

The parent company's (registered number: 03745726) loss for the financial year amounted to £16,103,000 (2024: £50,892,000 loss).

The notes on pages 105 to 153 form an integral part of these consolidated financial statements.

The financial statements on pages 96 to 153 were authorised for issue by the Board of Directors and approved on 28 May 2026 and were signed on its behalf.



Mrs J Meier

Parent company statement of changes in equity

for the year ended 31 December 2025

	Share capital £'000	Share premium £'000	Retained earnings/ (losses) £'000	Other reserves £'000	Total Equity £'000
At 1 January 2025	9,672	155,972	(42,964)	22,671	145,351
Comprehensive expense					
Loss for the year	–	–	(16,103)	–	(16,103)
Total comprehensive expense	–	–	(16,103)	–	(16,103)
Transactions with owners					
Share-based payments	–	–	–	3,637	3,637
Proceeds from shares issued	111	–	–	–	111
Equity component of convertible loan notes	–	–	–	206	206
Total transactions with owners	111	–	–	3,843	3,954
At 31 December 2025	9,783	155,972	(59,067)	26,514	133,202

	Share capital £'000	Share premium £'000	Retained earnings/ (losses) £'000	Other reserves £'000	Total Equity £'000
At 1 January 2024	9,615	155,844	7,928	19,494	192,881
Comprehensive expense					
Loss for the year	–	–	(50,892)	–	(50,892)
Total comprehensive expense	–	–	(50,892)	–	(50,892)
Transactions with owners					
Share-based payments	–	–	–	3,177	3,177
Proceeds from shares issued	57	128	–	–	185
Total transactions with owners	57	128	–	3,177	3,362
At 31 December 2024	9,672	155,972	(42,964)	22,671	145,351

Other reserves relate to share-based payments.

The notes on pages 105 to 153 form an integral part of these consolidated financial statements.

Parent company cash flow statement

for the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Cash outflow from operations	27	(13,468)	(16,455)
Interest received		440	892
Interest paid		(1,922)	(1,371)
Net cash used in operating activities		(14,950)	(16,934)
Purchase of intangible assets		(153)	(1,582)
Purchase of property plant and equipment		(8)	(1)
Proceeds from disposal of property, plant and equipment and intangible assets		-	2
Net cash used in investing activities		(161)	(1,581)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		111	185
Issue of convertible loan notes		18,000	-
Expenses associated with the issuance of convertible loan notes		(715)	-
Proceeds from borrowings		4,105	19,493
Net cash generated from financing activities		21,501	19,678
Net increase in cash and cash equivalents		6,390	1,163
Cash and cash equivalents at 1 January		306	(857)
Cash and cash equivalents at 31 December		6,696	306

The notes on pages 105 to 153 form an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2025

1. General information

IQE plc ('the Company') and its subsidiaries (together 'the Group') develop, manufacture and sell advanced semiconductor materials. The Group has manufacturing facilities in Europe, United States of America and Asia and sells to customers located globally.

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). The address of the Company's registered office is Pascal Close, St Mellons, Cardiff, CF3 0LW.

2. Material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

The financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards ('UK adopted IFRS'). The financial statements have been prepared under the historical cost convention except where fair value measurement is required by IFRS. The Group applies fair value measurement in its accounting for derivative foreign currency financial instruments (see Note 2.18).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

2.2 Going concern

The Directors have prepared forecasts and cash flow projections for a period of at least 12 months from the date of approval of these financial statements. These forecasts include the impact of the Fundraising completed on 28 May 2026 (see Note 33). Whilst cash has not yet been received, the directors have assessed the risk of not receiving the cash as remote.

Base case

The Directors' base case is derived from the Group's latest Board-approved 2026 and H1 2027 forecasts.

The base case incorporates an expected improvement in market conditions and has been prepared using the following key assumptions:

- the Fundraising will be used to repay existing CLNs and existing bank debt in Q2 FY26
- revenue growth of at least 20% in 2026 and H1 2027, consistent with guidance and current analyst consensus

- a GBP: USD exchange rate of 1.34 applied throughout the forecast period
- direct wafer product margin broadly consistent with 2025 actual performance
- labour cost increases in line with market expectations and non-labour cost inflation consistent with the current environment; and
- capital expenditure of mid-single digit £ millions in 2026 and H1 2027.

Under the base case scenario, the Group is expected to comply with its banking covenants before repayment of loans, then maintain sufficient liquidity to meet its liabilities as they fall due over the forecast period. Liquidity headroom is forecast to reduce from £11.7m in December 2025 to £6.1m in May 2026, prior to receipt of funds from the Fundraising, and to increase thereafter to a minimum of £34.0m.

Severe but plausible downside

The Directors have also considered a severe but plausible downside scenario. The severe but plausible downside case was prepared by applying the following downsides with no mitigating actions:

- revenue is assumed 9% down on the base case for H1 2026, 20% down for H2 2026 and 24% down for H1 2027 resulting from a combination of delays in expected market recovery and the impact of greater forecasting uncertainty the further out into the future
- in line with the revenue reduction in both years, there is a reflective reduction in variable operating costs for 2026 and H1 2027.

Under the severe but plausible downside scenario, the Group is expected to comply with its banking covenants before repayment of loans, then maintain sufficient liquidity to meet its liabilities as they fall due over the forecast period. Liquidity headroom is forecast to reduce from £11.7m in December 2025 to £6.0m in May 2026, prior to receipt of funds from the Fundraising, before increasing following the Fundraising and subsequently declining to a minimum of £23.6m within the forecast period to June 2027.

The Group is forecast to maintain a strong positive liquidity position throughout the 2026 and H1 2027 going concern assessment period, under both the base case and severe but plausible downside scenario. Accordingly, the Directors are satisfied that the Group and Company have adequate cash resources to continue in operational existence and to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in the preparation of the Group consolidated financial statements and the Company financial statements.

Notes to the financial statements *continued*

for the year ended 31 December 2025

2. Material accounting policies continued

2.3 Changes in accounting policy and disclosures

a) New standards, amendments and interpretations

The following new standards, amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 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 this amendment has not had a material impact on the financial statements of the Group or parent company.

b) New standards, amendments and interpretations issued but not effective and not adopted early

Several new standards, amendments to standards and interpretations which are set out below are effective for annual periods beginning after 1 January 2026 and have not been applied in preparing these consolidated financial statements:

- Annual Improvements to IFRS Accounting Standards – Volume 11 which contains various improvement and enhancements to existing standards
- IFRS 18 'Presentation and disclosure in financial statements' which includes new requirements for presentation and disclosure with a focus on the income statement
- IFRS 19 'Subsidiaries without public accountability: disclosures' is a voluntary standard that contains a reduced disclosure framework for use by eligible subsidiaries that prepare financial statements applying IFRS Accounting Standards
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) which provides further clarification and requirements for the recognition and derecognition criteria for financial assets and liabilities, the classification requirements for financial assets and disclosure requirements related to the amendments to the classification requirements
- Amendments to contracts referencing nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) for power purchase agreements
- Amendments to sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

The Directors anticipate that at the time of this report none of the new standards, amendments to standards or interpretations are expected to have a material effect on the financial statements of the Group or parent company.

2.4 Consolidation

The consolidated financial statements comprise the results of IQE plc (the Company) and its subsidiary undertakings, together with the Group's share of the results of its joint venture.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated and accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Where the fair values of acquired identifiable assets, liabilities and contingent liabilities are initially recognised on a provisional basis, these are reassessed during the 12-month period following the date of the business combination. Adjustments to the fair values as at the date of acquisition that result from new information that existed at the date of acquisition which, if known at the time, would have resulted in a different amount being recognised within this 'measurement period', are recorded with any net impact being added to or deducted from the goodwill recognised. Such adjustments are recognised in both the current period and the restated comparative period balance sheets as if the final fair values had been used in the initial recognition of the acquisition. After the measurement period, any adjustments to the recorded fair value of identifiable assets, liabilities and contingent liabilities are taken through the income statement as an exceptional income or expense.

The Group recognises any non-controlling interest on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

2.5 Intangible assets

a) Goodwill

Goodwill arising on an acquisition is recognised as an asset and initially measured at cost, being the excess of the fair value of the consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is not amortised but is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. For impairment testing, goodwill is allocated to each of the Cash Generating Units to which it relates. Any impairment identified is immediately charged to the consolidated income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

Negative goodwill arising on an acquisition where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of the consideration is credited and recognised in the consolidated income statement immediately.

b) Patents, trademarks and licences

Separately acquired patents, trademarks and licences are shown at historical cost. Patents, trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives of 8 to 15 years. Amortisation is charged to selling and general administration expenses in the income statement.

The carrying value of patents, trademarks and licences is reviewed for potential impairment if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated income statement.

c) Development costs

Expenditure incurred that is directly attributable to the development of new or substantially improved products or processes is recognised as an intangible asset when the following criteria are met:

- the product or process is intended for use or sale;
- the development is technically feasible to complete;
- there is an ability to use or sell the product or process;
- it can be demonstrated how the product or process will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development; and
- the development expenditure can be reliably measured.

Directly attributable costs refer to the materials consumed; the directly attributable labour; and the directly attributable overheads incurred in the development activity. General operating costs, administration costs and selling costs do not form part of directly attributable costs.

All research and other development costs are expensed as incurred.

Capitalised development costs are amortised in line with the expected production volume profile over the period during which the economic benefits are expected to be received, which typically ranges between 3 and 8 years. The estimated remaining useful lives of development costs are reviewed at least on an annual basis. Amortisation commences once the project is completed, and the development has been released into production. Amortisation is charged to selling and general administration expenses in the income statement.

The carrying value of capitalised development costs in respect of completed projects is reviewed for impairment if events or circumstances indicate a potential impairment. Projects that remain under development at the reporting date are reviewed for impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated income statement.

d) Software

Directly attributable costs incurred in the development of bespoke software for the Group's own use are capitalised and amortised on a straight-line basis over the expected useful life of the software, which typically ranges between 3 and 10 years. Amortisation is charged to selling and general administration expenses in the income statement.

The carrying value of capitalised software costs is reviewed for potential impairment if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated income statement. The costs of maintaining internally developed software and annual licence fees paid to utilise third-party software are expensed as incurred.

2.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Cost comprises all costs that are directly attributable to bringing the asset into working condition for its intended use. Depreciation is calculated to write down the cost of property, plant and equipment to its residual value on a straight-line basis over the following estimated useful economic lives:

Freehold buildings	10 to 40 years
Short leasehold improvements	5 to 30 years
Plant and machinery	3 to 25 years
Fixtures and fittings	3 to 10 years

No depreciation is provided on land or assets yet to be brought into use. Depreciation is charged to cost of sales and selling and general administration expenses in the income statement.

Notes to the financial statements *continued*

for the year ended 31 December 2025

2. Material accounting policies *continued*

Costs incurred after initial recognition are included in the assets' carrying amounts, or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'profit/loss on disposal of property, plant and equipment' in the income statement.

Assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying value of property, plant and equipment is reviewed for potential impairment if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated income statement.

2.7 Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low-value assets (such as small items of office furniture and equipment) and leases with variable rentals not linked to a relevant index. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets and lease liabilities are recognised at the lease commencement date. Right-of-use assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments. Changes in future lease payments can arise from a change in an index or rate, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or from a change in assessment about whether a termination option is reasonably certain not to be exercised.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Cost of sales' in profit or loss.

2.8 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, or intangible assets not ready to use, are not subject to amortisation and are reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (less disposal costs) and value in use.

Value in use is based on the present value of the future cash flows relating to the asset, discounted at the Group's risk adjusted pre-tax discount rate. For assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Indicators that impairment losses might have reversed are assessed annually.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Cost comprises direct materials and, where applicable, direct labour costs and attributable overheads that have been incurred in bringing the inventories to their present location and condition based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented within cash and cash equivalents where the Group has a right of set-off under its treasury arrangements that are pooled by territory.

2.12 Assets held for resale

Assets held for resale are not depreciated, are measured at the lower of carrying amount and fair value less costs to sell and are presented separately in the statement of financial position.

2.13 Financial assets

Financial assets are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instrument and are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income – debt investment, fair value through other comprehensive income – equity investment or fair value through profit or loss.

The classification depends on the purpose for which the financial assets were acquired, and the classification is determined at the date of initial recognition. Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period where the item is classified as a non-current asset. The Group's financial assets comprise trade and other receivables (Note 2.10), cash and cash equivalents (Note 2.11) and contract assets (Note 2.22).

Amortised cost and effective interest method

Financial assets are measured at amortised cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ('ECL') on trade receivables and contract assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Expected credit losses are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In circumstances where credit risk increases to the point that it becomes highly probable that the debt instrument will not become recoverable, the Group considers that this would represent a default event and moves to Stage 3.

The Group recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors including observable data such as changes in arrears, or economic conditions that provide an indication that a debtor is experiencing significant financial difficulty, default or delinquency in payment that correlate with defaults.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the financial statements *continued*

for the year ended 31 December 2025

2. Material accounting policies *continued***Credit impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Exposure at default is represented by the gross carrying amount of the financial asset at the reporting date.

ECL for financial assets is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract, and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for financial assets with a corresponding adjustment to the carrying amount in the consolidated balance sheet.

2.14 Financial liabilities and equity**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments are recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss. A financial liability is classified as fair value through profit and loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit and loss are measured at fair value and net gains and losses, including any interest expense, are

recognised in profit or loss. Other financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are non-derivative financial liabilities with fixed or determinable payments, and they are included in current liabilities, except for maturities greater than 12 months after the reporting period where the item is classified as a non-current liability. The Group's financial liabilities comprise trade and other payables (Note 2.15), borrowings (Note 2.16) and lease liabilities (Note 2.7) in the consolidated balance sheet.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

Cash flow hedges and derivatives that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Cash flow hedges and derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses). Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

2.19 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group has complied with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the income statement over the useful lives of the related assets, while grants related to expenses are treated as other income in the income statement.

2.20 Share capital and other reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Other reserves relate to share-based payment transactions.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation because of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

- Restructuring provisions comprise site closure costs and employee termination payments. Provisions are not recognised for future operating losses.
- Warranty provisions comprise the replacement cost of wafers expected to be returned under warranty.
- Dilapidation provisions comprise costs to fulfil property lease obligations at expiry of the relevant property lease.
- Onerous contract provisions comprise contractual obligations related to future payments where the Group expects to receive no economic benefit.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the time value of money and the risks specific to the obligation.

2.22 Revenue recognition

Revenue represents the transaction price specified in a contract with a customer for goods, services and intellectual property licences provided in the ordinary course of business net of value added and other sales related taxes.

Standard Customer Products

Revenue is recognised when the goods are delivered and have been accepted by customers. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

The amount of revenue recognised is adjusted for expected returns, which are estimated based on historical data for each specific type of product, with a refund liability recognised as part of provisions. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of any liability accordingly.

A receivable is recognised when the goods are delivered, since this is the point in time that the consideration is unconditional, performance obligations have been satisfied and only the passage of time is required before the payment is due.

Bespoke Customer Products

Revenue is recognised for bespoke customer products with no alternative use where the Group has a guaranteed contractual right to payment on an over time basis prior to the delivery of goods to the customers' premises. Revenue is recognised on an input basis by reference to the stage of completion of the manufacturing process, a process which includes an epitaxial wafer manufacture stage and a metrology and wafer test stage which are both typically completed within a limited number of days.

The amount of revenue recognised is adjusted for expected returns, which are estimated based on historical data for each specific type of product with a refund liability recognised as part of provisions. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of any liability accordingly.

The Group operates supplier managed inventory arrangements for certain global customers where the Group is responsible for ensuring that contractually agreed levels of inventory are maintained at specified locations. The Group has a guaranteed contractual right to payment for the bespoke customer products manufactured under these arrangements with revenue recognised on an over time basis.

Assets and liabilities arising from contracts with customers are separately identified. Contract assets relate to consideration recognised for work completed but not billed at the balance sheet date. Contract liabilities relate to obligations to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

Notes to the financial statements *continued*

for the year ended 31 December 2025

2. Material accounting policies *continued***Reactor Rental**

Reactor rental revenue relates to the sale of reactor capacity to customers, primarily for development purposes. Revenue is recognised on a straight-line basis over the period to which the capacity sold relates.

Non-recurring engineering (NRE) revenue

Revenue from non-recurring engineering arrangements is recognised based on the specific terms of the contract.

For milestone-based arrangements recognised at a point in time, revenue is recognised when the relevant milestone is achieved and control of the related deliverable transfers to the customer.

For milestone-based arrangements recognised over time, revenue is recognised as the work is performed when the customer simultaneously receives and consumes the benefits of the Group's performance, and the Group has an enforceable right to payment for performance completed to date.

Intellectual Property Licences

Intellectual property licence income relates to the sale of finite and perpetual period licences.

Revenue is recognised for intellectual property licences with a right to use over a finite period when control of the licence is transferred to the customer in accordance with the terms of the relevant licensing agreement and collection of the resulting receivable is reasonably assured.

Revenue is recognised for perpetual intellectual property licences with a right to use at a point in time when the following conditions are met:

- when a signed agreement or other persuasive evidence of an arrangement exists;
- the intellectual property has been delivered;
- the licence fee is fixed or determinable; and
- collection of the resulting receivable is reasonably assured.

2.23 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Leadership Team, who oversee the allocation of resources and the assessment of operating segment performance.

2.24 Finance income and finance costs

The Group's finance income and finance costs include interest income and interest expense.

Interest income or expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

Interest income or expense associated with cash and cash equivalent; bank borrowings and lease liabilities are treated as an operating activity cash flow in the consolidated cash flow statement.

2.25 Pension costs

The Group operates defined contribution pension schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Contributions are charged in the consolidated income statement as they become payable in accordance with the rules of the scheme. The Group has no further obligations once the contributions have been made.

2.26 Share-based payments

The Group operates several equity-settled share-based compensation plans under which the Group receives services from employees as consideration for equity instruments in IQE plc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the consolidated income statement, and as a credit in other reserves in the consolidated statement of changes in equity, except for the social security element of the award which is treated as cash settled with the liability recognised in other taxation and social security within trade and other payables in the consolidated balance sheet. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) and including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and the balance to share premium. In the Company's own financial statements, the grant of share options to the employees of subsidiary undertakings is treated as a capital contribution. Specifically, the fair value of employee services received (measured at the date of grant) is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.27 Foreign currency

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Group's presentational currency.

Foreign currency transactions are translated into the subsidiaries' functional currency at the rates of exchange ruling at the date of the transaction, or at the forward currency hedged rate where appropriate. Monetary assets and liabilities in foreign currencies are translated into the subsidiaries' functional currency at the rates ruling at the balance sheet date. All exchange differences are taken to the income statement.

The balance sheets of overseas subsidiaries are translated into sterling at the closing rates of exchange at the balance sheet date, whilst the income statements are translated into sterling at the average rate for the period. The resulting translation differences are taken directly to reserves.

Foreign exchange gains and losses on the retranslation of foreign currency borrowings that are used to finance overseas operations are accounted for on the 'net investment' basis and are recorded directly in reserves provided that the hedge is effective.

2.28 Current and deferred tax

Income tax for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year using rates substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Amounts receivable from tax authorities in relation to research and development tax relief under the RDEC scheme are recognised within operating profit in the period in which the research and development costs are treated as an expense. Where amounts are outstanding at the year end

and have not been formally agreed, an appropriate estimate of the amount is included within other receivables.

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences, unless specifically exempt. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Where a temporary difference arises between the tax base of employee share options and their carrying value, a deferred tax asset is recognised. To the extent that the future tax deduction exceeds the related cumulative IFRS 2 'Share-based payment' expense, the excess of the associated deferred tax balance is recognised directly in equity. To the extent that the future tax deduction matches the cumulative share-based payment expense, the associated deferred tax balance is recognised in the consolidated income statement.

2.29 Investment in subsidiaries

Investments in subsidiaries are held at cost of investment less provision for impairment in the parent company financial statements.

2.30 Alternative performance measures**Income Statement**

Alternative income statement performance measures are disclosed separately in the financial statements after several adjusted non-cash items, non-operational items and significant infrequent items that would distort period-on-period comparability, where it is deemed necessary by the Directors to do so to provide further understanding of the financial performance of the Group. Adjusted items are material items of income or expense that have been shown separately due to the significance of their nature or amount. The tax impact of adjusted items is calculated applying the relevant enacted tax rate for each adjusted item. Details of the adjusted items are included in Note 5.

Balance Sheet

Alternative balance sheet performance measures for net debt are disclosed separately in the financial statements after adjustments to exclude lease liabilities and fair value gains/losses on derivative instruments where it is deemed necessary by the Directors to do so to provide further understanding of the financial position, gearing and liquidity of the Group.

Notes to the financial statements *continued*

for the year ended 31 December 2025

2. Material accounting policies *continued***Cash flow Statement**

Alternative cash flow statement performance measures are disclosed separately in the financial statements that reflect the cash impact of adjusted items included in alternative income statement performance measures. Adjusted items are material items of income or expense that have been shown separately due to the significance of their nature or amount. Details of the adjusted items are included in Note 5.

3. Critical accounting judgements and key sources of estimation uncertainty

The Group's principal accounting policies are described in Note 2. The application of these policies necessitates the use of estimates and judgements in several areas. Accordingly, the actual amounts may differ from these estimates. The main areas involving significant judgement and estimation are set out below:

a) Critical accounting judgements in applying the Group's accounting policies**Intangible assets – Technology development assets not yet available for use**

Intangible assets include development cost assets not yet available for use of £3,701,000 (2024: £4,054,000) which have been reviewed for impairment as at the reporting date.

The Group is committed to the technical completion and commercialisation of each of its technology development assets which are governed and controlled by reference to a combination of technical development objectives and market and customer related commercial plans. The recoverable amount of each technology development project is determined based on value-in-use calculations, using cash flow projections in line with the expected useful economic life of each asset. The value-in-use calculations are based on management approved risk-adjusted cash flow forecasts for each project and comprise assumptions that include cost to complete forecasts for each technology development and commercial forecasts relating to the expected level of market penetration, revenue and cost of production for each technology.

Identification of Cash Generating Units ('CGUs') for impairment testing and allocating impairment losses*Identification of cash generating units*

Under IAS 36, impairment is assessed at the individual asset level except in circumstances where individual assets do not generate cash inflows that are largely independent from other assets. In these circumstances impairment is tested at the CGU or group of CGUs level.

Based on the nature of the Group's operations, multiple production facilities and epitaxial assets are considered by the Group to form distinct CGUs. This reflects the interdependency and dual-purpose nature of the Group's manufacturing facilities, and that production can (and is) transferred between sites to suit capacity planning and operational efficiency.

Given the interdependency of the Group's manufacturing facilities and operations, the Group considers each of the Photonics and Wireless operating segments to be CGUs based on the type of production.

CGU-level impairment testing has been performed at the level of the Photonics and Wireless CGUs. An impairment loss of £7,984,000 has been identified for the Photonics CGU.

Allocating impairment losses

When assigning an impairment loss to assets within the scope of IAS 36, the impairment loss is required to first reduce the carrying value of goodwill to nil and then allocate any remaining loss pro rata based on the carrying value of other assets in the CGU, except that the carrying value of an individual asset within the CGU should not be reduced below the higher of its fair value less costs of disposal, its value in use and zero.

As a result, the non-cash impairment loss of £7,984,000 relating to the Group's predominantly UK Photonics CGU assets has been allocated to goodwill and other relevant assets resulting in a non-cash intangible asset impairment charge of £7,337,000 (including £7,215,000 relating to goodwill), non-cash property, plant and equipment impairment charge of £402,000 and a non-cash right-of-use asset impairment of £245,000.

Refer to Note 13 for further details.

Adjustments to profit

Alternative performance measures are disclosed separately in the financial statements after several adjusted non-cash, non-operational or significant and infrequent items that would distort period-on-period comparability, where it is deemed necessary by the Directors to do so to provide further understanding of the financial performance of the Group. Details of the adjusted items are included in Note 5.

b) Critical accounting estimates and key sources of estimation uncertainty**3.1 Cash Generating Unit impairment testing**

The Group assesses whether there is any indication of impairment of non-current assets allocated to the Group's CGUs annually and between annual tests if events or circumstances indicate that it is more likely than not that the carrying amount may be impaired. Goodwill is tested for impairment at least annually and whenever there is an indication of impairment.

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.

The recoverable amount of a CGU is determined as the higher of value in use ('VIU') and fair value less costs of disposal. VIU calculations are based on discounted cash flow projections derived from Board-approved forecasts. Impairment losses are recognised in profit or loss. Impairment losses relating to goodwill are not reversed in subsequent periods.

Interim impairment recognised during the year

The Group experienced weak customer demand and a low volume of customer orders in the first half of 2025, which contributed to operating losses in each of the Group's Wireless and Photonics CGUs. The Directors concluded that these conditions represented indicators of impairment under IAS 36 and therefore performed an interim impairment test on 30 June 2025.

As a result of this interim impairment test, where the recoverable amount was assessed on a VIU basis, the Group recognised £7,984,000 of non-cash impairment charges associated with its Photonics CGU. These comprise:

- Intangible asset impairment charges of £7,337,000, including £7,215,000 relating to goodwill;
- Property, plant and equipment impairment charges of £402,000; and
- Right-of-use asset impairment charges of £245,000.

These charges were recognised in 'impairment loss on intangible assets', 'impairment loss on property, plant and equipment' and 'impairment loss on right-of-use assets' in the consolidated statement of profit or loss. In accordance with IFRS (IAS 36 and IFRIC 10), impairment losses recognised for goodwill are not reversed in subsequent periods.

Further detail associated with the interim impairment is available in the Group's Half-Year Report published on 23 September 2026.

Impairment assessment on 31 December 2025

The Group has continued to incur operating losses in the second half of 2025, resulting in a full year operating loss of £4,373,000 (2024: £921,000) in the Group's Wireless CGU (excluding the £8,167,000 impact of gain on disposal of foreign operation) and £14,619,000 (2024: £16,542,000) in its Photonics CGU. In addition, the Group experienced a significant decrease in its share price during the second half of the year. These factors were assessed as indicators of impairment at 31 December 2025 in accordance with IAS 36.

Accordingly, a further impairment assessment of the non-current assets allocated to the Wireless and Photonics CGUs was performed as part of the Group's annual impairment review at 31 December 2025.

Recoverable amounts for both CGUs were determined based on value-in-use calculations using updated Board-approved forecasts. The value-in-use models are based on five-year cash flow projections derived from the Group's latest strategic plan, with cash flows beyond the forecast period extrapolated using an estimated long-term growth rate. Cash flows were discounted using pre-tax discount rates reflecting current market assessments of the time value of money and the risks specific to each CGU.

For the Photonics CGU, following recognition of the £7,984,000 impairment charge assessed at 30 June 2025, the updated year-end assessment confirmed that the carrying amount of the CGU at 31 December 2025 is supported by its recoverable amount. No additional impairment was recognised in the second half of the year.

For the Wireless CGU, the recoverable amount determined at 31 December 2025 exceeded the carrying amount of the assets allocated to the CGU. Accordingly, no impairment has been recognised in respect of the Wireless CGU.

The key assumptions used in the value-in-use calculations, including discount rates, forecast revenue growth rates and terminal growth rates, together with a sensitivity analysis, are disclosed in Note 13.

c) Other accounting estimates and sources of estimation uncertainty**3.2 Useful economic lives of development cost intangible assets**

The periods of amortisation used for product and process development cost assets require estimates to be made on the estimated useful economic lives of the intangible assets to determine an appropriate rate of amortisation. Capitalised development costs are amortised in line with the expected production volume profile of the products to which they relate over the period during which economic benefits are expected to be received, which is typically between 3-8 years.

Notes to the financial statements *continued*

for the year ended 31 December 2025

3. Critical accounting judgements and key sources of estimation uncertainty *continued*

The carrying value of development cost intangible assets is £9,872,000 (2024: £12,528,000). The amortisation charge for development cost intangible assets in the current year is £3,453,000 (2024: £5,084,000). If useful economic lives of development cost intangible assets were reduced by 1 year across the whole portfolio of assets, the impact on current year amortisation would be to increase the charge by £263,000 (2024: £786,000) to £3,716,000 (2024: £5,870,000).

3.3 Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Group to make judgements and estimates that affect the valuation of the lease liabilities and the valuation of right-of-use assets that includes determining the contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group generally comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

Exercise of extension options, principally existing in the Group's property leases, are assumed to be reasonably certain, except for the Group's Newport facility where it has been assumed that it is reasonably certain that the Group will exercise its buy-out option at the end of the initial lease term. The same term applied to the length of the lease contract has been applied to the useful economic life of right-of-use assets.

The present value of the lease payments applicable to the Group's portfolio of property and plant leases has been determined using a discount rate that represents the Group's incremental rate of borrowing at the date of inception or modification of the lease, assessed as 2.25%-8.20% depending on the lease characteristics for existing historic leases.

If the incremental rate of borrowing decreased by 0.10%, the impact would be to increase the lease liability by £149,000 (2024: £140,000). If the incremental rate of borrowing decreased by 1.0%, the impact would be to increase the lease liability by £1,590,000 (2024: £1,463,000).

3.4 Convertible loan notes

The application of IAS 32 requires the Group to make judgements and estimates that affect the measurement of the liability and equity component of the convertible loan notes.

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 with the residual allocated to equity. If the market rate of interest applied in the calculation increase by 1% the initial value of the liability component would decrease by £147,000 and the residual value allocated to equity would increase by £147,000.

The convertible loan notes contain an option to extend the maturity period by six months. In the period to the balance sheet date exercise of the extension option, which attracts a redemption premium of 9% (£1,905,840), has not been assumed to be reasonably certain given the status of the Group's Strategic Review.

4. Segmental analysis

4.1 Description of segments and principal activities

The Chief Operating Decision-Maker is defined as the Executive Leadership Team ('ELT'). The ELT consists of the Chief Executive Officer and Chief Financial Officer, Chief Technology and Operating Officer, Chief Revenue Officer and the Executive VP General Counsel, Company Secretary and Chief People Officer. The ELT consider the Group's performance from a product perspective and have identified three primary reportable segments:

- Wireless – this part of the business manufactures and sells compound semiconductor material for the wireless market which includes radio frequency devices that enable wireless communications.
- Photonics – this part of the business manufactures and sells compound semiconductor material for the photonics market which includes applications that either transmit or sense light, both visible and infrared.
- CMOS++ – this part of the business manufactured and sold advanced semiconductor materials related to silicon which included the combination of the advanced properties of compound semiconductors with those of lower-cost silicon technologies. The Group has continued to report the CMOS++ segment separately during 2025 due to the significance of the restructuring costs associated with the cessation of activities in this area and the closure of its silicon manufacturing site in South Wales. Starting in 2026, the Group will no longer report CMOS++.

The ELT primarily use revenue and a measure of adjusted EBITDA to assess the performance of the operating segments. Measures of total assets and liabilities for each reportable segment are not reported to the ELT and therefore have not been disclosed.

4.2 Adjusted EBITDA

Adjusted EBITDA excludes the effects of significant non-cash, non-operational or significant and infrequent items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, CEO and CFO recruitment costs, CEO severance costs and impairments where the impairment is the result of an isolated, non-recurring event. Adjusted EBITDA also excludes the effects of equity settled share-based payments.

Finance costs are not allocated to segments because treasury and the cash position of the Group is managed centrally.

	2025 £'000	2024 £'000
Revenue		
Wireless	40,101	67,295
Photonics	57,134	49,876
CMOS++	65	863
Revenue	97,300	118,034
Adjusted EBITDA		
Wireless	6,565	16,205
Photonics	8,398	5,840
CMOS++	(122)	(1,517)
Central corporate costs	(11,604)	(12,416)
Adjusted EBITDA	3,237	8,112
Depreciation	(19,613)	(20,343)
Amortisation	(4,588)	(6,390)
Gain on remeasurement	–	202
Profit on disposal of PPE	–	62
Adjusted operating loss	(20,964)	(18,357)
Wireless	(3,016)	6,520
Photonics	(5,410)	(10,568)
CMOS++	(226)	(1,663)
Central corporate costs	(12,312)	(12,646)
Adjusted items (see Note 5)		
Wireless	6,810	(7,441)
Photonics	(9,209)	(5,974)
CMOS++	(4,385)	(669)
Central corporate costs	(2,311)	(517)
Operating loss	(30,059)	(32,958)
Wireless	3,794	(921)
Photonics	(14,619)	(16,542)
CMOS++	(4,611)	(2,332)
Central corporate costs	(14,623)	(13,163)
Finance income	294	–
Finance costs	(7,269)	(3,947)
Loss before tax	(37,034)	(36,905)

Adjusted items include £10,233,000 (2024: £8,418,000) of non-cash impairment charges of which £nil (2024: £5,519,000) relates to the wireless segment, £7,984,000 (2024: £3,259,000) relates to the photonics segment and £2,249,000 (2024: £nil) relates to the CMOS++ segment.

Notes to the financial statements *continued*

for the year ended 31 December 2025

4. Segmental analysis *continued*

4.3 Revenue – Disaggregation of segmental revenue from contracts with customers

The Group derives revenue from the transfer of goods, services and intellectual property over time and at a point in time. Revenues from external customers derive from the sale of standard or bespoke compound semiconductor material, or from the sale or licensing of intellectual property.

Disaggregate Segment Revenue	Wireless 2025 £'000	Photonics 2025 £'000	CMOS++ 2025 £'000	Total 2025 £'000
Timing of revenue recognition				
<i>At a point in time</i>				
Standard customer products	–	10,314	–	10,314
Intellectual property licences	–	–	–	–
<i>Over time</i>				
Bespoke customer products	40,101	46,820	65	86,986
Total revenue	40,101	57,134	65	97,300

Disaggregate Segment Revenue	Wireless 2024 £'000	Photonics 2024 £'000	CMOS++ 2024 £'000	Total 2024 £'000
Timing of revenue recognition				
<i>At a point in time</i>				
Standard customer products	–	7,852	–	7,852
Intellectual property licences	–	–	–	–
<i>Over time</i>				
Bespoke customer products	67,295	42,024	863	110,182
Total revenue	67,295	49,876	863	118,034

Included within bespoke customer product revenue is revenue of £32,222,000 (2024: £45,379,000) that relates to supplier managed inventory arrangements where billing occurs from the earlier of a specified contractual backstop date following delivery, or when the product is drawn from inventory by the customer.

Revenues of approximately £17,668,000 (2024: £37,752,000) are derived from one customer (2024: two) who accounts for greater than 10% of the Group's total revenues:

Customer	Segment	2025 £'000	2025 % revenue	2024 £'000	2024 % revenue
Customer 1	Wireless	17,668	18%	22,169	19%
Customer 2	Photonics & Wireless	N/A	N/A	15,583	13%

There are no customers in the CMOS++ segment that account for greater than 10% of the Group's total revenue.

4.4 Geographical information

Revenue by location of customer

	2025 £'000	2024 £'000
Americas	59,640	52,025
United States of America	59,640	51,974
Rest of Americas	–	51
Europe, Middle East & Africa (EMEA)	16,894	24,914
France	1,417	663
Germany	2,390	1,618
Israel	4,344	5,008
United Kingdom	3,259	12,642
Rest of EMEA	5,484	4,983
Asia Pacific	20,766	41,095
People's Republic of China	1,231	1,928
Japan	6,855	6,456
Taiwan	10,571	27,142
Rest of Asia Pacific	2,109	5,569
Total revenue	97,300	118,034

Non-current assets by location

	Property, plant and equipment		Intangible assets		Right-of-use assets	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
USA	23,807	32,651	4,560	13,679	13,325	15,312
Taiwan	23,657	28,060	941	1,171	348	386
UK	47,789	52,963	11,743	14,100	24,473	26,512
	95,253	113,674	17,244	28,950	38,146	42,210

Notes to the financial statements *continued*

for the year ended 31 December 2025

5. Adjusted performance measures ('APM')

The Directors assess the operating performance of the Group based on both statutory and adjusted measures. Adjusted measures include adjusted earnings before interest, tax, depreciation, amortisation, impairment and profit/loss on disposal of PPE and intangibles (AEBITDA), AEBITDA margin, adjusted operating loss, adjusted loss before income tax and adjusted losses per share. These measures are collectively described as Adjusted Performance Measures (APMs) in this Annual Report.

The Directors believe that APMs provide a useful comparison of business trends and performance and allow management and other stakeholders to better compare the performance of the Group between periods, 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 APMs for internal planning, budgeting, reporting and assessment of the performance of the business.

The term adjusted is not defined under IFRS and therefore the APMs may not be directly comparable with similarly titled measures used by other companies.

Adjusted profit measures

The following table summarises the statutory and adjusted profit and loss account measures for the year together with the adjustments made to each line item.

	Adjusted Results £'000	Adjusted Items £'000	2025 Reported Results £'000	Adjusted Results £'000	Adjusted Items £'000	2024 Reported Results £'000
Revenue	97,300	–	97,300	118,034	–	118,034
Cost of sales	(94,868)	(1,080)	(95,948)	(112,543)	(1,045)	(113,588)
Gross profit/(loss)	2,432	(1,080)	1,352	5,491	(1,045)	4,446
SG&A	(22,609)	(5,149)	(27,758)	(24,109)	(5,873)	(29,982)
Impairment of intangibles	–	(9,586)	(9,586)	–	(3,772)	(3,772)
Impairment of PPE	–	(402)	(402)	–	(4,615)	(4,615)
Impairment of right-of-use assets	–	(245)	(245)	–	(31)	(31)
Gain on disposal of foreign operation	–	8,167	8,167	–	–	–
Gain on remeasurement of right-of-use asset	–	–	–	202	–	202
Impairment loss on trade receivables and contract assets	(787)	–	(787)	(3)	–	(3)
(Loss)/profit on disposal of PPE and assets held for sale	–	(800)	(800)	62	735	797
EBITDA	3,237	(6,229)	(2,992)	8,112	(6,918)	1,194
Depreciation	(19,613)	–	(19,613)	(20,343)	–	(20,343)
Amortisation	(4,588)	–	(4,588)	(6,390)	–	(6,390)
Impairment of intangibles	–	(9,586)	(9,586)	–	(3,772)	(3,772)
Impairment of PPE	–	(402)	(402)	–	(4,615)	(4,615)
Impairment of right-of-use assets	–	(245)	(245)	–	(31)	(31)
Gain on disposal of foreign operation	–	8,167	8,167	–	–	–
Gain on remeasurement of right-of-use asset	–	–	–	202	–	202
(Loss)/profit on disposal of PPE and assets held for sale	–	(800)	(800)	62	735	797
Operating loss	(20,964)	(9,095)	(30,059)	(18,357)	(14,601)	(32,958)
Finance income	294	–	294	–	–	–
Finance costs	(7,269)	–	(7,269)	(3,947)	–	(3,947)
Loss before tax	(27,939)	(9,095)	(37,034)	(22,304)	(14,601)	(36,905)
Taxation	500	(161)	339	(1,430)	157	(1,273)
Loss for the period	(27,439)	(9,256)	(36,695)	(23,734)	(14,444)	(38,178)
Loss per share attributable to owners of the parent company during the year						
Basic loss per share	(2.82p)	0.95p	(3.77p)	(2.46p)	1.50p	(3.96p)
Diluted loss per share	(2.82p)	0.95p	(3.77p)	(2.46p)	1.50p	(3.96p)

Adjustments to operating profit

2025	Cost of sales £'000	SG&A £'000	Impairments £'000	Loss on disposal £'000	Other gains £'000	2025 Adjusted Pre-Tax Items £'000	Tax Impact £'000	2025 Adjusted Items £'000
Share-based payments	(1,080)	(2,379)	–	–	–	(3,459)	(161)	(3,620)
Share-based payments – CFO recruitment	–	(116)	–	–	–	(116)	–	(116)
CEO severance	–	(21)	–	–	–	(21)	–	(21)
Photonics CGU impairment	–	–	(7,984)	–	–	(7,984)	–	(7,984)
Restructuring	–	(2,633)	(2,249)	(800)	8,167	2,485	–	2,485
Total	(1,080)	(5,149)	(10,233)	(800)	8,167	(9,095)	(161)	(9,256)

2024	Cost of sales £'000	SG&A £'000	Impairments £'000	Profit on disposal £'000	2024 Adjusted Pre-Tax Items £'000	Tax Impact £'000	2024 Adjusted Items £'000
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 £3,459,000 (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 Financial Officer recruitment

The charge of £116,000 (2024: £123,000) relates to the share-based payment charge for new starter awards granted to the CFO, Jutta Meier, who is also now the Group CEO.

Chief Executive Officer Severance

The charge of £21,000 (2024: £416,000) relates to costs, primarily related to payments in lieu of notice, associated with the termination of the former CEO's employment.

Photonics CGU impairment

An impairment was identified in the year relating to the Photonics CGU determined based on value-in-use calculations. The non-cash impairment loss of £7,984,000 predominately relates to the Group's 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 asset impairment charge of £7,337,000 (including £7,215,000 relating to goodwill), non-cash property, plant and equipment impairment charge of £402,000 and a non-cash right-of-use asset impairment of £245,000 (see Note 13).

Notes to the financial statements *continued*

for the year ended 31 December 2025

5. Adjusted performance measures ('APM') *continued***Restructuring**

The credit of £2,485,000 (2024: £7,638,000 charge) 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 £145,000 (2024: £266,000) consist of employee costs related to the restructuring of the Group's Executive Leadership Team.

UK Restructuring

- UK restructuring charges of £4,259,000 (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 £198,000 (2024: £447,000), site decommissioning costs of £1,012,000 (2024: £897,000), non-cash property, plant and equipment asset impairments of £nil (2024: £343,000), non-cash intangible development and patent cost impairments of £2,249,000 (2024: £nil) and loss on disposal of PPE of £800,000 (2024: £103,000 profit on disposal). As of 31 December 2025, cumulative restructuring charges of £5,483,000 (2024: £1,584,000) have been incurred.

Asian Restructuring

- Taiwanese restructuring charges of £1,244,000 (2024: £155,000) consist of £784,000 (2024: £155,000) legal and professional fees and £460,000 (2024: £nil) of employee costs related to the Group's Strategic Review and potential sale of its Taiwanese manufacturing operations. The Strategic Review completed in the post balance sheet period (see note 33) and has not resulted in the sale of the Taiwanese operations. As of 31 December 2025, cumulative charges of £1,399,000 (2024: £155,000) linked to the restructuring and potential sale of the manufacturing operation have been incurred.
- Singapore restructuring credit of £8,167,000 (2024: £19,000) relates to the gain on liquidation of the Singapore entities (MBE Technology Pte Ltd and CSDC Private Limited) within the year. The gain arises as a result of the cumulative foreign exchange translation gain of £8,167,000 previously recognised in equity being reclassified to profit or loss in accordance with IAS 21.48(c). No proceeds were received on liquidation. Prior year £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.

US Restructuring

- US restructuring charges of £nil (2024: £763,000) relating to the closure of the Group's manufacturing facility in Pennsylvania.
- US restructuring charges of £34,000 (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 (2024: £2,002,000), non-cash intangible development cost impairments of £nil (2024: £2,887,000) and reactor decommissioning costs of £34,000 (2024: £nil).

Wireless CGU impairment – prior period

An impairment was identified in the prior year relating to the Wireless CGU determined based on value-in-use calculations. The non-cash impairment loss of £3,066,000 related to the Group's US related wireless assets and was allocated to the relevant US based intangible and tangible assets which resulted in a non-cash intangible asset impairment charge of £885,000 and a non-cash property, plant and equipment impairment charge of £2,181,000.

Chief Executive Officer recruitment – prior period

The charge of £nil (2024: £77,000) relates to the share-based payment charge for new starter awards granted to the former CEO upon recruitment. The charge of £nil (2024: £307,000) relates to costs associated with the cash element of the new starter award granted to the former CEO upon recruitment.

Cash impact of adjusting items

The cash impact of adjusting items is set out below:

Cash Impact	Cash from operations £'000	Investing activities £'000	2025 Total £'000	Cash from operations £'000	Investing activities £'000	2024 Total £'000
Reported cash flows	8,070	(8,389)	(319)	1,282	(10,194)	(8,912)
Share-based payments – social security	94	–	94	123	–	123
CEO severance	240	–	240	196	–	196
Onerous contract	240	–	240	394	–	394
Restructuring	2,536	(114)	2,422	4,092	(4,828)	(736)
Total adjusted items	3,110	(114)	2,996	4,805	(4,828)	(23)
Adjusted cash flows	11,180	(8,503)	2,677	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 (2024: £394,000).

Restructuring

Cash defrayed in the year from the restructuring of the Group's Executive Leadership Team and the consolidation of the Group's US, UK and Asian manufacturing operations totalled £2,422,000 (2024: £736,000 cash generated)

Group Restructuring

- Cash costs defrayed of £247,000 (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 relating to the closure of the Group's manufacturing facility in Pennsylvania total £18,000 (2024: £2,820,000). Cash proceeds on disposal of the Pennsylvania site included in investing activities totals £nil (2024: £4,061,000) in the year.
- Cash costs relating to the strategic re-positioning of the Group's Massachusetts and North Carolina manufacturing sites total £41,000 (2024: £nil). Cash proceeds on disposal of US reactors included in investing activities totals £114,000 (2024: £nil) in the year.

UK Restructuring

- Cash costs relating to the consolidation of the Group's South Wales activities into its Newport manufacturing site total £1,262,000 (2024: £1,072,000). Cash proceeds on disposal of property, plant and equipment is included in investing activities and totals £nil (2024: £767,000) in the year.

Asian Restructuring

- Cash costs relating to the Group's Strategic Review and potential sale of the Group's Taiwanese manufacturing operations total £968,000 (2024: £155,000). The Strategic Review completed in the post balance sheet period (see note 33) and has not resulted in the sale of the Taiwanese operations.
- Final cash receipts linked to the voluntary liquidation of the Group's Singapore subsidiaries, where manufacturing operations ceased in June 2022 total £nil (2024: £19,000).

Adjustments to net debt

	2025 £'000	2024 £'000
Adjusted net debt		
Net debt (Note 29)	(76,037)	(69,330)
Lease liabilities due after one year	39,862	44,872
Lease liabilities due within one year	4,691	5,658
Adjusted net debt	(31,484)	(18,800)

Notes to the financial statements *continued*

for the year ended 31 December 2025

6. Operating loss

	2025 £'000	2024 £'000
The operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment	16,021	16,552
Depreciation of right-of-use assets	3,592	3,791
Amortisation of intangible assets	4,588	6,390
Gain on remeasurement of right-of-use asset	–	(202)
Services provided by auditors	798	821
Expenses relating to variable lease payments not included in the measurement of the lease liability	178	66
Research and development (net)	986	4,489
Exchange losses/(gains)	559	(511)
Cost of raw materials consumed	35,028	45,255
Profit on disposal of PPE*	–	(62)
Adjusted items (see Note 5)	9,095	14,601
Share-based payments	3,459	2,974
Share-based payments – CEO & CFO recruitment	116	200
CEO recruitment	–	307
CEO severance	21	416
Photonics CGU impairment	7,984	–
Wireless CGU impairment	–	3,066
Restructuring	(2,485)	7,638

* Excludes the adjustment for loss (2024: profit) on disposal of PPE relating to restructuring which is separately disclosed as part of the Group's adjusted items.

	2025 £'000	2024 £'000
Services provided by auditors		
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	700	720
Additional fees payable in relation to the audit of the parent company and consolidated financial statements for the year ended 31 December 2024	73	–
Additional fees payable in relation to the audit of the parent company and consolidated financial statements for the year ended 31 December 2023	–	25
Fees payable to the Company's auditor and its associates for other services:		
• Audit of the Company's subsidiaries	25	25
• Audit-related assurance services	–	51
Total KPMG LLP (Group auditors)	798	821

7. Employee costs

	2025 £'000	2024 £'000
Employee costs (including Directors' remuneration)		
Wages and salaries	27,870	30,012
Social security costs	3,184	3,364
Other pension costs	1,932	2,096
Share-based payments	3,575	3,174
	36,561	38,646
	2025 Number	2024 Number
Average number of employees (including Directors)		
Manufacturing	353	396
Selling, general and administrative	116	121
	469	517

Directors' emoluments, share options and other long-term incentive plan details, including details of all outstanding options and long-term incentive awards, and the value of Director pension contributions paid, are set out in the Remuneration Report where the relevant disclosures have been highlighted as audited.

Key management within the Group comprises members of the Executive Leadership Team and Non-Executive Directors. Compensation to key management in 2025 totalled £1,766,000 (2024: £4,151,000), consisting of emoluments and other benefits in kind of £1,690,000 (2024: £4,023,000) and pension contributions of £76,000 (2024: £128,000). The charge for share-based payment awards to key management totalled £971,000 (2024: £1,007,000) which incorporates the charge for share options awarded in the year in lieu of salary. A charge for termination costs payable to key management who have left the business totalled £166,000 (2024: £628,000).

8. Finance costs

	2025 £'000	2024 £'000
Bank loans	(2,276)	(2,293)
Convertible loan notes	(3,242)	–
Interest expense on lease liabilities	(1,751)	(1,654)
	(7,269)	(3,947)

Notes to the financial statements *continued*

for the year ended 31 December 2025

9. Taxation

	2025 £'000	2024 £'000
Income tax expense		
Current tax on profits for the year	693	1,106
Adjustments in respect of prior years	36	–
Total current tax charge	729	1,106
Origination and reversal of temporary differences	(1,319)	85
Adjustment in respect of prior years	251	82
Total deferred tax (credit)/charge	(1,068)	167
Total tax (credit)/charge	(339)	1,273

The tax on the Group's loss before tax differs from the theoretical amount that would arise from applying the standard rate of corporation tax in the UK of 25.0% (2024: 25.0%) as follows:

	2025 £'000	2024 £'000
Loss on ordinary activities before taxation	(37,034)	(36,905)
Tax credit at 25.0% thereon (2024: 25.0%)	(9,259)	(9,226)
Effects of:		
Expenses not deductible for tax purposes	(1,607)	1,241
Overseas tax rate differences	(79)	(28)
Temporary differences for which no deferred tax asset was recognised	9,264	8,566
Share option schemes	1,055	638
Adjustments in respect of prior years	287	82
Total tax (credit)/charge for the year	(339)	1,273

Recognition of deferred tax assets is based on an assessment of future cash flow forecasts and the associated profitability of the Group's operations, an assessment which has restricted the ability of the Group to recognise deferred tax assets for UK and US trading losses.

Deferred tax asset recognition has been restricted in the UK and US to reflect future forecast profitability, an assessment that includes the impact weak customer demand experienced during the current year and a modest forecast return to growth align with the forecasts used as part of the Group's CGU impairment review. As a result, lower utilisation of UK and US deferred tax assets is projected, which has restricted the ability to recognise deferred tax assets for current year losses.

The share option schemes amount shown above represents the change in the expected tax impact on the exercise of options, principally reflecting the reduction in future corporation tax deductions associated with a movement in the number of options where performance criteria are expected to be achieved and a reduction in the Group share price.

The Group's results report certain financial measures after several adjusted items with a tax impact of £161,000 (2024: £157,000) as detailed in Note 5. The tax impact of adjusted items, excluding share-based payments, is £nil (2024: £nil) due to the restricted recognition of deferred tax assets.

Deferred tax is measured at the tax rates that are expected to apply in the relevant territory in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been substantively enacted at the balance sheet date.

Any closing UK deferred tax asset or liability in the financial statements has been recognised in accordance with the rate enacted as part of the Finance Act 2021 with any timing differences recognised at a corporation tax rate of 25%.

Amounts recognised directly in equity	2025 £'000	2024 £'000
Aggregate current and deferred tax arising in the period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Share options	–	(33)
Total tax charge to equity for the year	–	(33)

10. Deferred Taxation

	2025 £'000	2024 £'000
Deferred tax		
At 1 January	(774)	(604)
Income statement credit recognised in the year	1,068	(167)
Tax charge recognised directly in equity	–	(33)
Exchange differences	(12)	30
At 31 December	282	(774)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

	Right of Use Asset £'000	Accelerated Capital Allowances £'000	Intangibles £'000	Total £'000
Deferred tax liabilities				
At 1 January 2024	(9,281)	(11,263)	(3,170)	(23,714)
(Charge)/credit to income statement	(1,014)	(355)	1,491	122
Exchange differences	(88)	40	18	(30)
At 31 December 2024	(10,383)	(11,578)	(1,661)	(23,622)
Credit to income statement	448	788	14	1,250
Exchange differences	282	17	8	307
At 31 December 2025 before set-off	(9,653)	(10,773)	(1,639)	(22,065)
Set-off of tax*				22,065
At 31 December 2025 after set-off				–

	Leases £'000	Tax Losses £'000	Other £'000	Total £'000
Deferred tax assets				
At 1 January 2024	11,376	10,851	883	23,110
Credit/(charge) to income statement	686	(729)	(246)	(289)
Charged to equity	–	–	(33)	(33)
Exchange differences	85	–	(25)	60
At 31 December 2024	12,147	10,122	579	22,848
Credit/(charge) to income statement	(601)	265	154	(182)
Exchange differences	(284)	(21)	(14)	(319)
At 31 December 2025 before set-off	11,262	10,366	719	22,347
Set-off of tax*				(22,065)
At 31 December 2025 after set-off				282

* Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits from the same trade is probable. The Group assesses future forecast taxable profit as probable by reference to Board-approved five-year cash flow forecasts consistent with the underlying cash flow forecasts used in the Group's goodwill impairment review. Any potential deferred tax asset assessed by reference to the level of future forecast taxable profit over this five-year period has, in the current year, been restricted to the extent of taxable temporary differences due to the Group's current financial performance and recent history of taxable losses in its UK and US operations.

The Group did not recognise deferred tax assets of £57,334,000 (2024: £60,209,000) in respect of tax losses amounting to £226,237,000 (2024: £256,787,000) that can be carried forward against future taxable income.

The Group did not recognise other deferred tax assets of £10,324,000 (2024: £7,723,000) in respect of other carried forward temporary timing differences relating to certain US accelerated capital allowances, interest restrictions and R&D restrictions, and, UK notional tax credits associated with the Groups R&D Expenditure Credit Scheme (RDEC) claims amounting to £31,936,000 (2024: £24,148,000).

Notes to the financial statements *continued*

for the year ended 31 December 2025

10. Deferred Taxation *continued*

Tax losses in the UK totalling £187,746,000 (2024: £173,474,000) have no date of expiry. Tax losses in the US can be carried forward against future taxable income for 20 years before expiring. Of the Group's total US tax losses of £77,517,000 (2024: £84,514,000) losses amounting to £15,940,000 (2024: £16,090,000) expire within 5 years, £31,997,000 (2024: £34,592,000) expire within 6-10 years, £10,197,000 (2024: £11,024,000) expire within 11-15 years and £19,383,000 (2024: £22,809,000) may be carried forward indefinitely. Tax losses in Taiwan totalling £3,052,000 (2024: £nil) expire within 10 years.

Deferred tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested. Unremitted Taiwanese earnings total £29,076,000 (2024: £34,365,000). Tax credits in relation to claims made under the R&D Expenditure Credit Scheme (RDEC) in the UK are recognised within operating loss. Tax credits of this nature total £1,366,000 (2024: £1,528,000).

Company

	Tax Losses £'000	Share Options £'000	Other Timing Differences £'000	Total £'000
Deferred tax assets				
At 1 January 2024	1,521	89	(1,610)	–
(Charged)/credited to income statement	263	61	(324)	–
Charged to equity	–	–	–	–
At 31 December 2024	1,784	150	(1,934)	–
(Charged)/credited to income statement	(184)	(7)	191	–
At 31 December 2025	1,600	143	(1,743)	–

The Company did not recognise deferred tax assets of £7,974,000 (2024: £7,568,000) in respect of tax losses amounting to £31,897,000 (2024: £30,273,000) that can be carried forward against future taxable income. The Company did not recognise other deferred tax assets of £39,000 (2024: £39,000) in respect of UK notional tax credits associated with R&D Expenditure Credit Scheme (RDEC) claims.

11. Dividends

No dividend has been paid or proposed in 2025 (2024: £nil).

12. Loss per share

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

Diluted loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of shares and the dilutive effect of '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 year. 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.

The Directors also present an adjusted earnings per share measure which eliminates certain adjusted items. The Directors believe that the adjusted earnings per share measure provides a useful comparison of performance and allows 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 adjustments are detailed in Note 5.

	2025 £'000	2024 £'000
Loss attributable to ordinary shareholders	(36,695)	(38,178)
Adjustments to loss after tax (Note 5)	9,256	14,444
Adjusted loss attributable to ordinary shareholders	(27,439)	(23,734)

	2025 Number	2024 Number
Weighted average number of ordinary shares	972,928,093	964,315,248
Potentially dilutive share options	14,929,308	14,291,760
Potentially dilutive convertible instruments	123,866,839	–
Adjusted weighted average number of ordinary shares	1,111,724,240	978,607,008
Adjusted basic loss per share	(2.82p)	(2.46p)
Basic loss per share	(3.77p)	(3.96p)
Adjusted diluted loss per share	(2.82p)	(2.46p)
Diluted loss per share	(3.77p)	(3.96p)

13. Intangible assets

Group	Goodwill £'000	Patents £'000	Development costs £'000	Software £'000	Customer contracts £'000	Total £'000
Cost						
At 1 January 2025	69,388	8,486	94,480	17,884	1,490	191,728
Additions	–	153	3,096	12	–	3,261
Disposals	–	(307)	–	–	–	(307)
Foreign exchange	(4,469)	(16)	(4,008)	(80)	–	(8,573)
At 31 December 2025	64,919	8,316	93,568	17,816	1,490	186,109
Accumulated amortisation and impairment						
At 1 January 2025	61,805	7,705	81,952	9,826	1,490	162,778
Charge for the year	–	307	3,453	828	–	4,588
Disposals	–	(307)	–	–	–	(307)
Impairment	7,215	498	1,873	–	–	9,586
Foreign exchange	(4,101)	(16)	(3,582)	(81)	–	(7,780)
At 31 December 2025	64,919	8,187	83,696	10,573	1,490	168,865
Net book value						
At 31 December 2025	–	129	9,872	7,243	–	17,244
At 31 December 2024	7,583	781	12,528	8,058	–	28,950

Notes to the financial statements *continued*

for the year ended 31 December 2025

13. Intangible assets *continued*

Group	Goodwill £'000	Patents £'000	Development costs £'000	Software £'000	Customer contracts £'000	Total £'000
Cost						
At 1 January 2024	68,186	8,318	91,662	16,449	1,490	186,105
Additions	–	163	1,877	1,419	–	3,459
Foreign exchange	1,202	5	941	16	–	2,164
At 31 December 2024	69,388	8,486	94,480	17,884	1,490	191,728
Accumulated amortisation and impairment						
At 1 January 2024	60,787	7,355	72,599	9,181	805	150,727
Charge for the year	–	290	5,084	331	685	6,390
Impairment	–	59	3,407	306	–	3,772
Foreign exchange	1,018	1	862	8	–	1,889
At 31 December 2024	61,805	7,705	81,952	9,826	1,490	162,778
Net book value						
At 31 December 2024	7,583	781	12,528	8,058	–	28,950
At 31 December 2023	7,399	963	19,063	7,268	685	35,378

Customer contract intangible assets relate to customer contracts acquired as part of business combinations.

The amortisation charge of £4,588,000 (2024: £6,390,000) has been classified within 'selling, general and administrative expenses' in the consolidated income statement. Development costs include £3,701,000 (2024: £4,054,000) of assets not subject to amortisation.

Goodwill and development cost impairment charges of £7,337,000 relate to the impairment of the Group's predominately UK related photonics CGU assets. The net book value of goodwill has been impaired to £nil with the impairment charge recognised in 'impairment loss on intangible assets' in the consolidated income statement. The remaining £1,751,000 impairment in development costs and £498,000 in patents relate to the impairment of silicon-based technologies linked to the closure of the Group's silicon focused facility located in Cardiff, UK. In 2024, the development cost impairment charge of £3,772,000 related to the £2,887,000 impairment of Dilute Nitride technology and the £885,000 impairment of the Group's US related wireless development cost CGU assets.

Impairment tests for goodwill

Goodwill is tested for impairment annually and whenever there is an indication of impairment at the level of the CGU to which it is allocated. 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, goodwill is tested for impairment by grouping operational sites and production assets into CGUs based on type of production. Corporate assets are allocated to CGUs in proportion to the utilisation of production assets and facilities by each CGU.

	2025 Cost £'000	2025 Impairment £'000	2025 Foreign exchange £'000	2025 NBV £'000	2024 Cost £'000	2024 Impairment £'000	2024 Foreign exchange £'000	2024 NBV £'000
Allocation of goodwill by CGU								
Wireless	–	–	–	–	–	–	–	–
Photonics	7,583	(7,215)	(368)	–	7,399	–	184	7,583
Total Goodwill	7,583	(7,215)	(368)	–	7,399	–	184	7,583

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% (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 Board-approved 2026 budget and 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 2026 Board-approved budget with an assumed improvement in market dynamics in 2027. Revenue assumptions for Years 2, 3, 4 and 5 incorporate a combination of market growth and new business assumptions that take account of industry trends and external market research.

The calculation of the recoverable amount of each CGU in the value-in-use calculations is sensitive to small changes in the following key assumptions applied in the 2025 cash flow forecast:

	Year 1 %	Year 2 %	Year 3 %	Year 4 %	Year 5 %	5 Year CAGR %
2025						
Unadjusted discount rate	19.4%	19.4%	19.4%	19.4%	19.4%	N/A
Photonics revenue growth rate	Adjusted Board-approved forecast*	16.6%	27.8%	11.8%	18.1%	6.8%
Wireless revenue growth rate	Adjusted Board-approved forecast*	22.9%	46.1%	33.2%	16.0%	12.7%

* Adjusted Board-approved forecast relates to the Group's Board-approved 2026 budget and latest five-year cash flow forecasts adjusted to exclude earnings and cash flows associated with expansionary capital expenditure

	Year 1 %	Year 2 %	Year 3 %	Year 4 %	Year 5 %	5 Year CAGR %
2024						
Unadjusted discount rate	16.8%	16.8%	16.8%	16.8%	16.8%	N/A
Photonics revenue growth rate	Adjusted Board-approved forecast*	15.9%	18.7%	10.8%	9.8%	18.7%
Wireless revenue growth rate	Adjusted Board-approved forecast*	22.8%	23.6%	13.7%	7.6%	9.5%

The assumptions and growth rates used in the Group's value-in-use calculations were updated in 2025. The revised cash flow forecasts incorporate new business assumptions, the latest industry trends, and external market research, resulting in a lower growth rate compared with the prior year's value-in-use calculations. The value-in-use calculations comprise forecasts of revenue, material costs, and site manufacturing labour and overhead costs. These forecasts have been assessed and updated using customer- and supplier-specific information, together with revised business assumptions and segment growth rates that reflect industry trends and external market research.

Notes to the financial statements *continued*

for the year ended 31 December 2025

13. Intangible assets *continued***Photonics CGU**

The recoverable amount of the Photonics CGU of £101,991,000, determined based on value-in-use calculations is greater than the carrying amount (£101,360,000) 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 Photonics CGU assets has been identified.

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 applied in the value-in-use calculations reflect continued market demand for compound semiconductors and related technological advancements, driven by macro trends such as AI, 5G and connected devices, together with the increasing adoption of 3D and advanced sensing applications within security and defence markets that require compound semiconductor materials. 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 Photonics CGU non-current assets would be £6,576,000.
- If the aggregated compound annual revenue growth rate used in the value-in-use calculations to determine the recoverable amount was to decrease by 0.1%, 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 Photonics CGU non-current assets would be £3,671,000.
- If the discount rate used in the value-in-use calculations to determine the recoverable amount was to increase by 0.1%, this would eliminate all the headroom in the value-in-use calculation.

Wireless CGU

The recoverable amount of the Wireless CGU of £72,037,000 determined based on value-in-use calculations is greater than the carrying amount (£66,136,000) 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, direct wafer product margins and changes in the discount rate applied in the value-in-use calculations.

- Growth rates used in the value-in-use calculations reflect continued market demand for compound semiconductors and ongoing technological advancements. This demand is driven by macro trends such as the expansion of 5G and connected devices, with next-generation wireless compound semiconductor materials enabling both 5G network infrastructure and 5G mobile handsets. 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 £5,049,000.
- If the aggregated compound annual revenue growth rate used in the value-in-use calculations to determine the recoverable amount was to decrease by 1.2%, 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 Photonics CGU non-current assets would be £2,607,000.
- If the discount rate used in the value-in-use calculations to determine the recoverable amount was to increase by 1.2%, this would eliminate all the headroom in the value-in-use calculation.

Company	Patents £'000	Software £'000	Total £'000
Cost			
At 1 January 2025	8,002	9,062	17,064
Additions	153	–	153
At 31 December 2025	8,155	9,062	17,217
Accumulated amortisation			
At 1 January 2025	7,317	1,006	8,323
Charge for the year	264	825	1,089
Impairment	445	–	445
At 31 December 2025	8,026	1,831	9,857
Net book value			
At 31 December 2025	129	7,231	7,360
At 31 December 2024	685	8,056	8,741
<hr/>			
Company	Patents £'000	Software £'000	Total £'000
Cost			
At 1 January 2024	7,839	7,643	15,482
Additions	163	1,419	1,582
At 31 December 2024	8,002	9,062	17,064
Accumulated amortisation			
At 1 January 2024	6,993	825	7,818
Charge for the year	265	181	446
Impairment	59	–	59
At 31 December 2024	7,317	1,006	8,323
Net book value			
At 31 December 2024	685	8,056	8,741
At 31 December 2023	846	6,818	7,664

Notes to the financial statements *continued*

for the year ended 31 December 2025

14. Property, plant and equipment

Group	Land and buildings £'000	Short leasehold improvements £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2025	13,094	34,072	15,019	188,042	250,227
Additions	–	12	198	1,554	1,764
Disposals	–	(5,768)	(386)	(5,705)	(11,859)
Other transfers and adjustments	2,282	6,196	1,544	(2,924)	7,098
Foreign exchange	(124)	(2,458)	(405)	(6,413)	(9,400)
At 31 December 2025	15,252	32,054	15,970	174,554	237,830
Accumulated depreciation					
At 1 January 2025	6,345	23,666	7,732	98,810	136,553
Charge for the year	707	3,274	1,086	10,954	16,021
Disposals	–	(5,768)	(384)	(4,907)	(11,059)
Other transfers and adjustments	1,229	6,381	974	(1,486)	7,098
Impairment	–	–	–	402	402
Foreign exchange	(29)	(1,778)	(219)	(4,412)	(6,438)
At 31 December 2025	8,252	25,775	9,189	99,361	142,577
Net book value					
At 31 December 2025	7,000	6,279	6,781	75,193	95,253
At 31 December 2024	6,749	10,406	7,287	89,232	113,674

Property, plant and equipment include assets in the course of construction with a net carrying value of £6,247,000 (2024: £7,831,000).

Group	Land and buildings £'000	Short leasehold improvements £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2024	13,364	37,888	16,681	212,572	280,505
Additions	–	58	73	7,765	7,896
Disposals	–	(4,650)	(1,203)	(31,292)	(37,145)
Transfer to assets held for resale	–	–	–	(939)	(939)
Foreign exchange	(270)	776	(532)	(64)	(90)
At 31 December 2024	13,094	34,072	15,019	188,042	250,227
Accumulated depreciation					
At 1 January 2024	5,705	23,388	8,161	113,698	150,952
Charge for the year	707	3,474	933	11,438	16,552
Disposals	–	(4,650)	(1,203)	(29,427)	(35,280)
Impairment	–	916	–	3,699	4,615
Transfer to assets held for resale	–	–	–	(819)	(819)
Foreign exchange	(67)	538	(159)	221	533
At 31 December 2024	6,345	23,666	7,732	98,810	136,553
Net book value					
At 31 December 2024	6,749	10,406	7,287	89,232	113,674
At 31 December 2023	7,659	14,500	8,520	98,874	129,553

Property, plant and machinery impairment charges of £402,000 relates to the impairment of the Group's predominately UK related photonics CGU assets (see Note 13). The net book value of the assets has been impaired to £75,193,000 with the charge recognised in 'impairment loss on property, plant and equipment' in the consolidated income statement.

Other transfers and adjustments relate to adjustments identified following a detailed review of the fixed asset register. These included corrections to the gross cost and accumulated depreciation of certain assets and the reclassification of tangible fixed assets between categories, as well as reclassifications of cost and accumulated depreciation within categories. The adjustments resulted in an increase of £7,098,000 to both gross cost and accumulated depreciation. These changes were assessed as immaterial and therefore corrected during 2025. The adjustments had no impact on the net book value of property, plant and equipment, net assets, loss after tax or total cash flow for 2025.

In 2024, Property, plant and machinery impairment charges of £4,615,000 related to the £2,434,000 impairment of certain specific redundant plant and machinery assets linked to the restructuring of the Group's US operations and the £2,181,000 impairment of the Group's US related wireless CGU assets.

Company	Fixtures and fittings £'000
Cost	
At 1 January 2025	189
Additions	8
Disposals	(130)
At 31 December 2025	67
Accumulated depreciation	
At 1 January 2025	184
Charge for the year	5
Disposals	(130)
At 31 December 2025	59
Net book value	
At 31 December 2025	8
At 31 December 2024	5

Company	Fixtures and fittings £'000
Cost	
At 1 January 2024	190
Additions	1
Disposals	(2)
At 31 December 2024	189
Accumulated depreciation	
At 1 January 2024	173
Charge for the year	11
Disposal	–
At 31 December 2024	184
Net book value	
At 31 December 2024	5
At 31 December 2023	17

Notes to the financial statements *continued*

for the year ended 31 December 2025

15. Right-of-use assets

Group	Land and buildings £'000	Fixtures and Fittings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2025	62,694	87	1,238	64,019
Modifications/remeasurements	840	10	59	909
Disposals	(518)	–	–	(518)
Foreign exchange	(1,403)	(6)	(48)	(1,457)
At 31 December 2025	61,613	91	1,249	62,953
Accumulated depreciation				
At 1 January 2025	20,933	36	840	21,809
Charge for the year	3,431	18	143	3,592
Disposals	(518)	–	–	(518)
Impairment	245	–	–	245
Foreign exchange	(300)	(1)	(20)	(321)
At 31 December 2025	23,791	53	963	24,807
Net book value				
At 31 December 2025	37,822	38	286	38,146
At 31 December 2024	41,761	51	398	42,210
Group				
Cost				
At 1 January 2024	54,978	81	735	55,794
Modifications/remeasurements	7,256	3	493	7,752
Foreign exchange	460	3	10	473
At 31 December 2024	62,694	87	1,238	64,019
Accumulated depreciation				
At 1 January 2024	17,188	17	694	17,899
Charge for the year	3,627	18	146	3,791
Impairment	31	–	–	31
Foreign exchange	87	1	–	88
At 31 December 2024	20,933	36	840	21,809
Net book value				
At 31 December 2024	41,761	51	398	42,210
At 31 December 2023	37,790	64	41	37,895

Right-of-use asset impairment charges of £245,000 (2024: £31,000) relates to the impairment of the Group's predominately UK related photonics CGU assets (see Note 13). The net book value of the assets has been impaired to £38,146,000 with the charge recognised in 'Impairment loss on right-of-use assets' in the consolidated income statement.

Modifications and remeasurements primarily relate to adjustments in lease payments and lease term extensions. The total impact on right-of-use assets was £909,000 (2024: £7,752,000) with corresponding changes in lease liabilities.

16. Investments

Company	Investments in subsidiaries £'000	Total £'000
Cost		
At 1 January 2025	128,354	128,354
Subsidiaries share-based payments charge	2,254	2,254
Disposals	(5,354)	(5,354)
At 31 December 2025	125,254	125,254
Provisions for impairment		
At 1 January 2025	47,746	47,746
Impairment	17,237	17,237
Disposals	(5,354)	(5,354)
At 31 December 2025	59,629	59,629
Net book value		
At 31 December 2025	65,625	65,625
At 31 December 2024	80,608	80,608
Company		
Cost		
At 1 January 2024	126,006	126,006
Subsidiaries share-based payments charge	2,348	2,348
At 31 December 2024	128,354	128,354
Provisions for impairment		
At 1 January 2024	65,837	65,837
Impairment	506	506
Reversal of impairment	(18,597)	(18,597)
At 31 December 2024	47,746	47,746
Net book value		
At 31 December 2024	80,608	80,608
At 31 December 2023	60,169	60,169

Details of the Company's subsidiaries are set out in Note 30.

Investments are reviewed annually for indicators of impairment. This review comprises a qualitative assessment of the business performance of each investment and a quantitative assessment of the potential impact on carrying values. The quantitative assessment is based either on value-in-use calculations performed as part of the Group's CGU impairment review or, where appropriate, on fair value less costs of disposal, determined using appropriate valuation techniques reflecting market participant assumptions.

During the year, the Group experienced weak customer demand and incurred operating losses. These factors, together with the outcome of the VIU calculations undertaken as part of the CGU impairment review, identified indicators of impairment in respect of the Company's investment in its sub-group headed by EPI Holdings Limited, its trading subsidiary IQE Silicon Compounds Limited and its non-trading subsidiaries, NanoGaN Limited and KTC Wireless LLC, which are in the process of being voluntarily liquidated.

As a result of the impairment indicators identified, the recoverable amount of the Company's investment in EPI Holdings Limited, IQE Silicon Compounds Limited, NanoGaN Limited and KTC Wireless LLC was determined by reference to value in use, calculated using discounted cash flow projections consistent with those applied in the Group's CGU impairment assessment.

Notes to the financial statements *continued*

for the year ended 31 December 2025

16. Investments *continued*

The VIU calculations indicated that the recoverable amount of each of the investments was lower than its carrying amount. Accordingly, impairment charges of £489,000 (2024: £506,000) have been recognised in respect of the investment in the EPI Holdings sub-group, £1,058,000 (2024: £nil) in respect of IQE Silicon Compounds Limited, £37,000 (2024: £nil) in respect of NanoGaN Limited and £15,653,000 (2024: £nil) in respect of KTC Wireless LLC. Following recognition of these impairment charges, the carrying value of these investments have been fully written down.

17. Inventories

Group	2025 £'000	2024 £'000
Raw materials and consumables	12,699	13,228
Work-in-progress and finished goods	5,966	6,781
	18,665	20,009

The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. The carrying values are stated net of impairment provisions of £10,027,000 (2024: £11,270,000). During 2025, a net reversal of previously recognised inventory write-downs of £59,000 was recognised in the income statement (2024: £391,000 write-down).

18. Trade and other receivables

	2025 Group £'000	2025 Company £'000	2024 Group £'000	2024 Company £'000
Current				
Trade receivables	12,666	–	19,567	–
Other receivables	1,293	–	1,420	701
Contract assets	11,068	–	14,061	–
Prepayments	3,066	2,082	2,376	935
	28,093	2,082	37,424	1,636
Non-current				
Amounts owed by Group undertakings	–	109,904	–	118,032
	–	109,904	–	118,032

Contract assets relate to bespoke manufactured customer products where the Group has a guaranteed contractual right of payment. Contract assets are transferred to receivables at the point that manufactured products are delivered to customers, except for supplier managed inventory arrangements where contract assets are transferred to receivables from the earlier of a specified contractual date following delivery or when the product is drawn from inventory by the customer. All contract assets from 2024 have been transferred to receivables during 2025.

Other receivables include £1,010,000 (2024: £1,146,000) of tax receivables.

Amounts owed by Group undertakings are unsecured and repayable on demand but expected to be paid in over 12 months. Interest is charged at a rate of 5% per annum (2024: 5% per annum).

The estimated fair values of trade receivables, other receivables, contract assets and amounts owed by Group undertakings are set out in Note 23.

19. Assets held for resale

	2025 Group £'000	2025 Company £'000	2024 Group £'000	2024 Company £'000
Current				
Property, plant and equipment held for resale	–	–	120	–
	–	–	120	–

Assets held for resale in 2024 related to certain specific plant and machinery where the Group had a commitment to sell the plant and machinery as part of the restructuring of its US operations. The property, plant and equipment were sold in 2025 for net proceeds of £114,000.

20. Trade and other payables

	2025 Group £'000	2025 Company £'000	2024 Group £'000	2024 Company £'000
Current				
Trade payables	11,052	1,841	8,659	562
Amounts owed to Group undertakings	–	3,935	–	28,507
Other taxation and social security	51	132	500	1,310
Other payables	3,495	3,126	9,249	6,667
Accruals and deferred income	14,395	2,078	15,825	2,991
Deferred consideration	352	–	172	–
	29,345	11,112	34,405	40,037

Accruals and deferred income include contract liabilities of £2,745,000 (2024: £2,088,000). Contract liabilities relate to advance payments received from customers for services or products expected to be delivered in the next 12 months. All contract liabilities from 2024 have been recognised as revenue during 2025.

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is charged at a rate of 5% per annum (2024: 5% per annum).

	2025 Group £'000	2025 Company £'000	2024 Group £'000	2024 Company £'000
Non-current				
Deferred consideration	1,683	–	2,035	–
	1,683	–	2,035	–

Deferred consideration of £2,035,000 (2024: £2,207,000) is payable to Cardiff University in relation to the acquisition of CSC in 2023 in instalments over a period up to 1 January 2029.

21. Borrowings

	2025 Group £'000	2025 Company £'000	2024 Group £'000	2024 Company £'000
Non-current borrowings				
Bank borrowings	–	–	23,460	23,460
Lease liabilities	39,862	–	44,872	–
	39,862	–	68,332	23,460
Current borrowings				
Bank borrowings	26,816	26,816	–	–
Convertible loan notes	20,321	20,321	–	–
Lease liabilities	4,691	–	5,658	–
	51,828	47,137	5,658	–
Total borrowings	91,690	47,137	73,990	23,460

	2025 Group £'000	2025 Company £'000	2024 Group £'000	2024 Company £'000
Bank Borrowings				
Bank borrowings fall due for repayment as follows				
Within one year	26,816	26,816	–	–
Between one and five years	–	–	23,460	23,460
	26,816	26,816	23,460	23,460

On 17 May 2023, the Company refinanced its £25,900,000 (\$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.

Notes to the financial statements *continued*

for the year ended 31 December 2025

21. Borrowings *continued*

The Group obtained a formal waiver of its 30 September 2025 and 31 December 2025 minimum adjusted EBITDA covenant test from HSBC Bank plc. The Group has complied with all other financial covenants of its borrowing facilities during 2025 and 2024.

	2025 Group £'000	2025 Company £'000	2024 Group £'000	2024 Company £'000
Convertible loan notes				
Convertible loan notes fall due for repayment as follows				
Within one year	20,321	20,321	–	–
	20,321	20,321	–	–

On 13 March 2025, the Group issued £21,176,000 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 six 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 (see Note 33). The convertible loan notes also contain warrant instruments that provide the loan note holder (if they do not elect for conversion) with the option to purchase IQE Plc shares at 15p per share equal to the value that they would have received on redemption.

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.

	2025 £'000	2024 £'000
Lease liabilities		
Lease liabilities fall due for repayment as follows		
Within one year	4,691	5,658
Between one and five years	28,052	32,054
After five years	11,810	12,818
	44,553	50,530

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. Lease liabilities principally relate to property.

22. Provisions for other liabilities and charges

Group	Restructuring £'000	Onerous Contract £'000	Warranty Provision £'000	Dilapidation £'000	2025 Total £'000	Restructuring £'000	Onerous Contract £'000	Warranty Provision £'000	Other £'000	2024 Total £'000
As at 1 January	26	480	548	251	1,305	1,650	866	1,153	–	3,669
Charged to the income statement	(10)	–	600	20	610	51	–	223	245	519
Utilised during the year	(15)	(240)	(721)	–	(976)	(1,675)	(394)	(830)	–	(2,899)
Foreign exchange	(1)	(16)	(6)	(19)	(42)	–	8	2	6	16
As at 31 December	–	224	421	252	897	26	480	548	251	1,305

Group	Restructuring £'000	Onerous Contract £'000	Warranty Provision £'000	Dilapidation £'000	2025 Total £'000	Restructuring £'000	Onerous Contract £'000	Warranty Provision £'000	Other £'000	2024 Total £'000
Current	–	224	421	–	645	26	200	548	–	774
Non-current	–	–	–	252	252	–	280	–	251	531
Total	–	224	421	252	897	26	480	548	251	1,305

The onerous contract provision represents the cost of minimum guaranteed future royalty payments associated with cREO™ technology acquired from Translucent Inc that is no longer being commercialised. The onerous contract provision is expected to be utilised over a period up to 28 February 2027.

The warranty provision relates to the costs of expected returns under warranty that are expected to be utilised over a period up to 30 June 2026.

The dilapidation provision relates to the estimated costs to fulfil property lease obligations upon expiry of the relevant property lease contract.

Company	Onerous Contract £'000	2025 £'000	Onerous Contract £'000	2024 £'000
As at 1 January	480	480	866	866
Charged to the income statement	–	–	–	–
Utilised during the year	(240)	(240)	(394)	(394)
Foreign exchange	(16)	(16)	8	8
As at 31 December	224	224	480	480

Company	2025 £'000	2024 £'000
Current	224	200
Non-current	–	280
As at 31 December	224	480

The onerous contract provision represents the cost of minimum guaranteed future royalty payments associated with the cREO™ technology acquired from Translucent Inc. The onerous contract provision is expected to be utilised over a period up to 28 February 2027.

23. Financial Instruments**Financial instruments by category**

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as financial assets at amortised cost. Borrowings and trade and other payables are classified as financial liabilities at amortised cost. Both categories are initially measured at fair value and subsequently held at amortised cost. Financial instruments are classified as Level 2 per the fair value hierarchy.

Derivatives (forward exchange contracts) are classified as derivatives used for hedging and accounted for at fair value through profit and loss in the consolidated statement of comprehensive income.

Financial risk and treasury policies

The Group's finance team maintains liquidity, manages relations with the Group's bankers, identifies and manages foreign exchange risk and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions. The Group has clearly defined policies for the management of foreign exchange rate risk. The Group finance team does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged using forward exchange contracts.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables and contract assets due from customers, and monies on deposit with financial institutions.

Customer credit risk is managed at the Group and site level with credit risk assessments completed for all customers. If no independent credit rating is available, the credit quality of the customer is assessed by reference to the customers' financial position, past experience and other relevant factors. Individual credit limits are set based on internal or external ratings in accordance with the Group's credit risk policies. Where the Group assesses a potential credit risk, this is dealt with either by up-front payment prior to the shipment of goods or by other credit risk mitigation measures.

Counterparty risk associated with monies on deposit with financial institutions is managed at the Group level in accordance with the Group's treasury policies. The credit quality of banks has been assessed by reference to external credit ratings, based on reputable credit agencies' long-term issuer ratings.

Trade receivables and contract assets

The credit quality of trade receivables and contract assets that are not impaired have been assessed based on historical information about the counterparty default rate.

Notes to the financial statements *continued*

for the year ended 31 December 2025

23. Financial Instruments *continued***Cash at bank**

The credit quality of cash has been assessed by reference to external credit ratings based on reputable credit agencies' long-term issuer ratings. The Group has cash at bank balances totalling £15,653,000 (2024: £4,660,000) all held with banks with A1 credit ratings.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset as set out below. In terms of trade receivables, the terms of sale provide that the Group has recourse to the products sold in the event of non-payment by a customer.

Assets as per balance sheet	2025 Group £'000	2025 Company £'000	2024 Group £'000	2024 Company £'000
Carrying amount				
Cash and cash equivalents	15,653	6,696	4,660	306
Trade receivables	12,666	–	19,567	–
Amounts owed by Group undertakings	–	131,857	–	118,032
Other receivables excluding prepayments	12,361	–	15,481	701
	40,680	138,553	39,708	119,039

Included in other receivables are contract assets of £11,068,000 (2024: £14,061,000). During the year, contract asset impairments of £795,000 (2024: £nil) were recognised in relation to a single customer.

The Group is exposed to credit concentration risk with its two (2024: two) largest customers which represent 32% (2024: 32%) of outstanding trade receivables and contract asset balances. Customer credit risk is managed according to strict credit control policies. Most of the Group's revenues are derived from large multinational organisations that are established customers of the Group with limited prior history of default. The Group monitors customer credit ratings and has experienced low levels of defaults in the past.

Group	Gross 2025 £'000	Provision 2025 £'000	Net 2025 £'000	Gross 2024 £'000	Provision 2024 £'000	Net 2024 £'000
Not past due	8,906	–	8,906	16,217	–	16,217
Past due 0–30	3,764	(4)	3,760	3,220	–	3,220
Past due more than 30	82	(82)	–	225	(95)	130
	12,752	(86)	12,666	19,662	(95)	19,567

Allowance for bad and doubtful debt	2025 £'000	2024 £'000
At 1 January	95	800
(Credited)/charged to the income statement	(8)	3
Utilised during the year	–	(709)
Foreign exchange	(1)	1
As at 31 December	86	95

As at 31 December 2025, 70% (2024: 82%) of trade receivables were within terms. Of the other trade receivables, 98% (2024: 93%) were less than 30 days past due. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £86,000 (2024: £95,000). This allowance has been determined on an expected credit loss basis by reference to past default experience.

The carrying values of trade and other receivables also represent their estimated fair values. Trade receivables and contract assets are primarily denominated in US dollars, as are trade payables limiting the exposure of the Group to movements in foreign exchange rates. Based on the balances held on 31 December 2025, a one cent movement in the US dollar to Sterling rate would impact the net value of these instruments by £113,000 (2024: £193,000).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its funding to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Throughout 2025, the Group continued to experience weak customer demand and reduced order volumes. These conditions placed pressure on the Group's financial performance and liquidity and as previously announced, led the Directors to initiate a Strategic Review of the Group. This Review formed part of a broader set of actions designed to secure appropriate financing to support the Group's liquidity position ahead of the expiry of its existing bank borrowing facility and the redemption of its outstanding convertible loan notes in September 2026. Further detail regarding liquidity risk is provided in Note 2.2.

The Group uses cash flow forecasts to monitor cash requirements and to optimise its borrowing position. The Group ensures that it has sufficient borrowing facilities to meet foreseeable operational expenses. At the year end, the Group had available undrawn facilities of £nil (2024: £4,400,000).

The following table illustrates the contractual maturities of financial liabilities, including interest payments where applicable, and excluding the impact of netting agreements on an undiscounted basis.

Contractual cash flow maturities – Other financial liabilities at amortised cost 31 December 2025	Group Carrying amount £'000	Group Contractual Cash flows £'000	Group Less than 12 months £'000	Group 1–2 Years £'000	Group 2–5 Years £'000	Group 5+ Years £'000
Trade and other payables	16,582	16,921	15,052	538	1,331	–
Accruals	11,650	11,650	11,650	–	–	–
Bank borrowings	26,816	26,851	26,851	–	–	–
Convertible loan notes	20,321	21,176	21,176	–	–	–
Lease liabilities	44,553	56,903	6,298	6,569	25,732	18,304
	119,922	133,501	81,027	7,107	27,063	18,304

Contractual cash flow maturities – Other financial liabilities at amortised cost 31 December 2024	Group Carrying amount £'000	Group Contractual Cash flows £'000	Group Less than 12 months £'000	Group 1–2 Years £'000	Group 2–5 Years £'000	Group 5+ Years £'000
Trade and other payables	19,943	20,460	18,086	505	1,869	–
Accruals	13,737	13,737	13,737	–	–	–
Bank borrowings	23,460	23,600	–	23,600	–	–
Lease liabilities	50,530	67,452	7,550	6,538	32,147	21,217
	107,670	125,249	39,373	30,643	34,016	21,217

Contractual cash flow maturities – Other financial liabilities at amortised cost 31 December 2025	Company Carrying amount £'000	Company Contractual Cash flows £'000	Company Less than 12 months £'000	Company 1–2 Years £'000	Company 2–5 Years £'000	Company 5+ Years £'000
Trade and other payables	4,967	4,967	4,967	–	–	–
Amounts owed to Group undertakings	3,935	3,935	3,935	–	–	–
Bank borrowings	26,816	26,851	26,851	–	–	–
Convertible loan notes	20,321	21,176	21,176	–	–	–
Accruals	2,078	2,078	2,078	–	–	–
	58,117	59,007	59,007	–	–	–

Contractual cash flow maturities – Other financial liabilities at amortised cost 31 December 2024	Company Carrying amount £'000	Company Contractual Cash flows £'000	Company Less than 12 months £'000	Company 1–2 Years £'000	Company 2–5 Years £'000	Company 5+ Years £'000
Trade and other payables	7,229	7,229	7,229	–	–	–
Amounts owed to Group undertakings	28,507	28,507	28,507	–	–	–
Bank borrowings	23,460	23,600	–	23,600	–	–
Accruals	2,991	2,991	2,991	–	–	–
	62,187	62,327	38,727	23,600	–	–

Notes to the financial statements *continued*

for the year ended 31 December 2025

23. Financial Instruments *continued***Financial risk management****Market risk – Foreign Exchange Risk**

The Group operates internationally with operations in the United Kingdom, United States of America and Taiwan, and is exposed to foreign exchange risk arising from various currency exposures, primarily relating to fluctuations in exchange rates between UK sterling, US dollars and Taiwanese dollars. The Group's presentational currency is sterling and foreign exchange risk arises from a combination of future commercial transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity and net investments in the Group's foreign operations.

Most of the Group's sales are denominated in US dollars and therefore the Group's cash flows are affected by fluctuations in the rate of exchange between US dollar and UK Sterling and Taiwanese dollar exchange rates given that the Group is required to fund certain costs at its operations in the United Kingdom and Taiwan in local currencies. Foreign exchange risk of this nature is managed using a combination of the natural currency hedge within the Group's operating model given that a significant proportion of the Group's costs, including the purchase of certain key raw materials, are denominated in US dollars, and via the use of derivative foreign currency forward exchange contracts.

Derivative foreign currency forward exchange contracts are only used for economic hedging purposes and not as speculative investments. Derivative foreign currency forward exchange contracts that do not meet the hedge accounting criteria are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. These derivative instruments are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. As of 31 December 2025, the fair value of foreign currency forward exchange contracts held for trading was £nil (2024: £nil). The foreign currency forward exchange contracts are classified as Level 2 financial instruments. The fair value of Level 2 financial instruments has been determined using observable market data based on quoted market prices or market quotes for similar instruments. If all significant inputs required to fair value the instrument are observable, the instrument is included in Level 2. The Group's accounting policy for its cash flow hedges is set out in Note 2.18.

The Group has certain investments in foreign operations in North America and Taiwan, whose net assets are exposed to foreign currency translation risk. Translation exposures that arise on converting the results of overseas subsidiaries are not hedged fully. As a guide to the sensitivity of the Group's results to movements in foreign currency exchange rates, a one cent movement in the US dollar to Sterling rate would impact annual earnings by approximately £317,000 (2024: £69,000).

Cash flow and fair value interest rate risk

The Board is aware of the risks associated with changes in interest rates and does not speculate on future changes in interest rates. Historically, the Group has not undertaken any hedging activity in this area, although the Board keeps this under regular review.

The Group's interest rate risk arises from its cash and cash equivalents and from its bank borrowings. Cash and cash equivalents, including foreign currency cash deposits, earn interest at prevailing variable market rates of interest.

The Group's bank borrowings consist of a variable rate multi-currency revolving credit facility secured against the assets of the Group.

The variable rate US dollar \$35,000,000 (£25,900,000) multi-currency revolving credit facility, which is £25,900,000 (\$35,000,000) (2024: £23,600,000 (\$29,500,000)) utilised on 31 December 2025, has 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.

The Group's policy is to regularly review its exposure to interest rate risk, and in particular the mix between fixed and floating rate financial assets and financial liabilities. The percentage of financial assets and financial liabilities bearing variable rate interest was 0% (2024: 0%) and 42% (2024: 53%) respectively.

As a guide to the sensitivity of the Group's results to movements in interest rates, a 50-basis point (0.5%) movement in interest rates on the interest-bearing financial assets held on 31 December 2025, would impact annual interest income by approximately £nil (2024: £nil). A 50-basis point (0.5%) movement in interest rates on the interest-bearing liabilities held on 31 December 2025 would impact annual interest costs by approximately £134,000 (2024: £117,000).

Capital risk management

The Group's main objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and adjusts it in the light of changes in economic conditions and the characteristic of the underlying assets. The Group monitors capital by reviewing net debt against shareholders' funds. The position of these indicators and the movement during the year is shown in the Five-Year Financial Summary.

The Group defines total capital as equity in the consolidated balance sheet plus net debt or less net funds. Total capital on 31 December 2025 was £165,731,000 (2024: £203,440,000). The Group monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital and on 31 December 2025 was 45.9% (2024: 34.1%).

The Group obtained a formal waiver of its 30 September 2025 and 31 December 2025 minimum adjusted EBITDA covenant test from HSBC Bank plc. All other covenants in relation to the Group's borrowing facilities have been complied with during the year.

Fair values

Fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Group	2025 Carrying amount £'000	2025 Fair value £'000	2024 Carrying amount £'000	2024 Fair value £'000
Cash and cash equivalents	15,653	15,653	4,660	4,660
Trade receivables	12,666	12,666	19,567	19,567
Other receivables	1,293	1,293	1,420	1,420
Contract assets	11,068	11,068	14,061	14,061
Trade and other payables	(16,582)	(16,582)	(19,943)	(19,943)
Bank borrowings	(26,816)	(26,816)	(23,460)	(23,460)
Convertible loan notes	(20,321)	(20,321)	–	–
	(23,039)	(23,039)	(3,695)	(3,695)

Company	2025 Carrying amount £'000	2025 Fair value £'000	2024 Carrying amount £'000	2024 Fair value £'000
Cash and cash equivalents	6,696	6,696	306	306
Amounts owed by Group undertakings	109,904	109,904	118,032	118,032
Other receivables	–	–	701	701
Amounts owed to Group undertakings	(3,935)	(3,935)	(28,507)	(28,507)
Trade and other payables	(4,967)	(4,967)	(7,229)	(7,229)
	107,698	107,698	83,303	83,303

Notes to the financial statements *continued*

for the year ended 31 December 2025

23. Financial Instruments *continued***Basis for determining fair value**

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the prior table:

Cash and cash equivalents

Cash and cash equivalents earn interest at prevailing variable market rates of interest such that the carrying value of cash and cash equivalents is deemed to reflect fair value.

Trade receivables, other receivables and contract assets

Trade receivables, other receivables and contract assets are short-term assets with a remaining life of less than one year such that the amortised cost carrying value of the assets is deemed to reflect fair value.

Amounts owed by Group undertakings

Amounts owed by Group undertakings are long-term assets with a remaining life of greater than one year with outstanding balances accruing interest at a rate of 5% per annum such that the amortised cost carrying value of the assets is deemed to reflect fair value.

Trade and other payables

Trade and other payables are short-term liabilities with a remaining life of less than one year such that the amortised cost carrying value of the liabilities is deemed to reflect fair value.

Bank borrowings

The carrying value of bank borrowings is deemed to reflect fair value as interest payable on bank borrowings is charged at a variable rate assessed as close to current market rates.

Convertible loan notes

The carrying value of convertible loan notes is deemed to reflect fair value as the instruments were issued in an arm's length market transaction. In addition, the liability component of the instrument was initially measured using a market rate of interest for a similar instrument without a conversion option.

24. Share capital

Group and Company	2025 Number of shares	2025 £'000	2024 Number of shares	2024 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	978,263,616	9,783	967,251,117	9,672

The movement in the number of ordinary shares during the year was:

	2025 Number	2024 Number
At 1 January	967,251,117	961,518,692
Employee share schemes	11,012,499	5,732,425
At 31 December	978,263,616	967,251,117

11,012,499 ordinary shares (2024: 5,732,425 ordinary shares) were issued during the year as follows:

	2025 Number of shares	2025 Consideration	2024 Number of shares	2024 Consideration
Employee share schemes	11,012,499	0.0p-1.0p	5,732,425	1.0p-23.0p
	11,012,499		5,732,425	

The share premium arising from consideration received from employee share scheme exercises was £nil (2024: £128,000).

25. Share-based payments

The total amount charged to the income statement in 2025 in respect of share-based payments was £3,575,000 (2024: £3,174,000).

Long-term incentive plan

The IQE Plc Share Option Scheme was adopted on 26 May 2000 and amended by shareholders at the Annual General Meeting on 17 May 2002. Under the scheme, the Remuneration Committee can grant long-term incentive awards over shares in the Company to Directors and employees of the Group.

Long-term incentive share awards are granted with contractual lives of between three and ten years with a fixed exercise price of one penny, equal to the nominal value of the ordinary share.

Directors

Long-term incentive awards become exercisable between three and ten years from the date of grant subject to continued employment and achievement of performance conditions relating to the Group's Adjusted EBITDA Margin and certain non-financial and strategic measures over a three-year vesting period that cannot be extended.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Details of the Directors' long-term incentive plan are set out in the Remuneration Report.

Employees

Long-term incentive awards become exercisable between one and ten years from the date of grant, subject to continued employment.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Director and employee long-term incentive awards are valued using either the Black-Scholes option-pricing model or the Monte Carlo simulation model with the total fair value of the award that is to be expensed charged to the income statement over the vesting period of the long-term incentive award.

Share option scheme

The IQE Plc Share Option Scheme was adopted on 26 May 2000 and amended by shareholders at the Annual General Meeting on 17 May 2002. Under the scheme, the Remuneration Committee can grant options over shares in the Company to employees of the Group.

Options are granted with a contractual life of ten years and with a fixed exercise price equal to either the market value of the shares under option at the date of grant or one penny. Options become exercisable between one and ten years from the date of grant, subject to continued employment, and for awards prior to 2022 the achievement of performance conditions, including growth in adjusted EBITDA and earnings per share against various targets.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options are valued using the Black-Scholes option-pricing model with the total fair value of the award that is to be expensed charged to the income statement over the vesting period of the share option.

The principal assumptions used in the calculation of the fair value of long-term incentive awards and share option awards are as follows:

Principal assumptions	2025	2024
Weighted average share price at grant date	15.90	27.34
Weighted average exercise price	1.45	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.

Notes to the financial statements *continued*

for the year ended 31 December 2025

25. Share-based payments *continued*

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.

The fair value of long-term incentive awards and share options granted during the year ended 31 December 2025 was £3,232,000 (2024: £3,280,000).

The weighted average fair value of long-term incentive awards granted during the year ended 31 December 2025 was 9.6p (2024: 23.3p).

The weighted average contractual life of outstanding share options at the year end was 6 (2024: 6) years.

The movements on long-term incentive awards and share options during the year were as follows:

	2025 Number of options	2025 Average exercise price (pence)	2024 Number of options	2024 Average exercise price (pence)
At 1 January	30,586,785	1.76	38,669,816	2.33
Granted	33,840,618	0.92	19,377,226	1.00
Exercised	(11,012,499)	1.00	(5,697,425)	3.17
Cancelled/lapsed	(4,030,252)	2.19	(21,762,832)	1.74
At 31 December	49,384,652	1.45	30,586,785	1.76

The weighted average share price at the date share options were exercised was 10.0p (2024: 30.0p).

At 31 December 2025, the total number of long-term incentive awards and share options held by employees was 49,384,652 (2024: 30,586,785) as follows:

Option price pence/share	Option period ending	2025 Number of options	2024 Number of options
18.42p – 25.17p	31 December 2025	–	2,153,699
1.00p – 37.92p	31 December 2026	1,444,837	3,601,679
1.00p – 169.50p	31 December 2027	2,123,335	3,657,112
1.00p – 143.30p	31 December 2028	7,249,299	25,000
1.00p – 125.00p	31 December 2029	–	2,500
1.00p	31 December 2030	–	–
1.00p	31 December 2031	–	–
1.00p	31 December 2032	1,077,398	3,867,625
1.00p	31 December 2033	5,643,716	9,171,765
1.00p	31 December 2034	6,145,255	8,107,405
0.00p – 1.00p	31 December 2035	25,700,812	–
At 31 December		49,384,652	30,586,785

26. Parent company profit and loss

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year amounted to £16,103,000 (2024: £50,892,000 loss).

27. Cash generated from operations

Group	2025 £'000	2024 £'000
Loss before tax	(37,034)	(36,905)
Finance income	(294)	–
Finance costs	7,269	3,947
Depreciation of property, plant and equipment	16,021	16,552
Depreciation of right-of-use assets	3,592	3,791
Amortisation of intangible assets	4,588	6,390
Impairment of intangible assets	9,586	3,772
Impairment of property, plant and equipment	402	4,615
Impairment of right-of-use assets	245	31
Gain on disposal of foreign operation	(8,167)	–
Gain on remeasurement of right-of-use assets	–	(202)
Inventory impairment (reversals)/write-downs (Note 17)	(59)	391
Non-cash movement on trade receivable expected credit losses (Note 23)	(8)	3
Impairment of contract assets (Note 23)	795	–
Non-cash provision movements	610	288
Loss/(profit) on disposal of fixed assets	800	(797)
Share-based payments	3,575	3,174
Cash inflow from operations before changes in working capital	1,921	5,050
Decrease in inventories	648	3,677
Decrease/(increase) in trade and other receivables	6,949	(608)
Decrease in trade and other payables	(472)	(3,938)
Decrease in provisions	(976)	(2,899)
Cash inflow from operations	8,070	1,282
Company	2025 £'000	2024 £'000
Loss before tax	(16,103)	(50,892)
Finance income	(9,060)	(7,976)
Finance costs	5,304	2,026
Foreign exchange	(2,331)	427
Depreciation of property, plant and equipment	5	11
Amortisation of intangible assets	1,089	446
Impairment of intangible assets	445	59
Impairment of investments	17,237	506
Reversal of impairment in investments	–	(18,597)
Non-cash movement on trade receivable expected credit losses	21,953	64,476
Non-cash movement on intercompany loans	(22,043)	–
Non-cash dividends received	(5,255)	–
Share-based payments	1,372	832
Cash outflow from operations before changes in working capital	(7,387)	(8,682)
Increase in trade and other receivables	(15,381)	(9,300)
Increase in trade and other payables	9,300	1,527
Cash outflow from operations	(13,468)	(16,455)

Notes to the financial statements *continued*

for the year ended 31 December 2025

28. Reconciliation of net cash flow to movement in net debt

	2025 £'000	2024 £'000
Increase/(decrease) in cash in the year	11,155	(910)
Increase in borrowings	(21,390)	(19,493)
Repayment of borrowings	–	4,048
Repayment of leases	5,680	3,470
Net movement resulting from cash flows	(4,555)	(12,885)
Net debt at 1 January	(69,330)	(48,528)
Net movement resulting from cash flows	(4,555)	(12,885)
Other non-cash movements	(2,152)	(7,917)
Net debt at 31 December	(76,037)	(69,330)

Other non-cash movements include £909,000 of lease modifications (2024: £7,295,000), £4,078,000 of accrued interest movements on borrowings (2024: £nil), £206,000 relating to equity component of convertible loan notes (2024: £nil) and the impact of foreign exchange of £2,629,000 (2024: £622,000).

29. Analysis of net debt

	At 1 January 2025 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 December 2025 £'000
Bank borrowings due after one year	(23,460)	–	23,460	–
Bank borrowings due within one year	–	(4,105)	(22,711)	(26,816)
Convertible loan notes due within one year	–	(17,285)	(3,036)	(20,321)
Lease liabilities due after one year	(44,872)	–	5,010	(39,862)
Lease liabilities due within one year	(5,658)	5,680	(4,713)	(4,691)
Total borrowings	(73,990)	(15,710)	(1,990)	(91,690)
Cash and cash equivalents	4,660	11,155	(162)	15,653
Net debt	(69,330)	(4,555)	(2,152)	(76,037)

Cash and cash equivalents on 31 December 2025 and 31 December 2024 comprised balances held in instant access bank accounts and other short-term deposits with a maturity of less than 3 months.

Other non-cash movements include £909,000 of lease modifications (2024: £7,295,000), £4,078,000 of accrued interest movements on borrowings (2024: £nil), £206,000 relating to equity component of convertible loan notes (2024: £nil) and the impact of foreign exchange of £2,629,000 (2024: £622,000).

30. Subsidiary undertakings

Name of company	Class of capital	Proportion of shares held	Activity	Country of incorporation	Registered Office
IQE (Europe) Limited	Ordinary shares of £1	100%*	Manufacture of advanced semiconductor materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
IQE Inc	Common stock of \$0.001	100%*	Manufacture of advanced semiconductor materials	USA	M Burr Keim Company, 2021 Arch St, Philadelphia, PA 19103
IQE KC LLC	Limited liability company	100%*	Manufacture of advanced semiconductor materials	USA	200 John Hancock Road, Taunton, MA 02780, USA
IQE Taiwan ROC	Ordinary shares of NT\$10	100%	Manufacture of advanced semiconductor materials	Taiwan	No. 2-1, Li-Hsin Road Hsinchu Science Park Hsinchu 300, Taiwan
IQE RF LLC	Limited liability company	100%*	Manufacture of advanced semiconductor materials	USA	265 Davidson Avenue Somerset, NJ 08873, USA
IQE Silicon Compounds Limited	Ordinary shares of £1	100%	Manufacture of advanced semiconductor materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
Wafer Technology Limited	Ordinary shares of £1	100%*	Manufacture of semiconductor compounds and ultra-high purity materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
NanoGaN Limited	Ordinary shares of £0.001	100%	Development of advanced semiconductor materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
Galaxy Compound Semiconductors Inc	Common stock of \$0.00 par value	100%*	Manufacture of semiconductor compounds and ultra-high purity materials	USA	9922 E Montgomery Avenue, #7, Spokane, WA 99206, USA
EPI Holdings Limited	Ordinary shares of £1	100%	Dormant holding company	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
KTC Wireless LLC	Limited liability company	100%	Dormant holding company	USA	The Corporation Trust Company, Wilmington, New Castle, DE, 19801
IQE USA Inc	Limited liability company	100%	Dormant holding company	USA	494 Gallimore Dairy Rd, Greensboro, NC, 27409
IQE Solar LLC	Limited liability company	100%*	Dormant company	USA	M Burr Keim Company, 2021 Arch St, Philadelphia, PA 19103
IQE Properties Inc	Limited liability company	100%*	Dormant company	USA	M Burr Keim Company, 2021 Arch St, Philadelphia, PA 19103
Wafer Technology International Limited	Ordinary shares of £1	100%	Holding company	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK
Compound Semiconductor Centre Limited	Preferred A and B shares of £1 Ordinary shares of £1	100%*	Research, development and manufacture of semiconductor materials	UK	Pascal Close, St Mellons, Cardiff CF3 0LW, UK

* Indirect holdings

The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of shares held. All UK subsidiaries are exempt from the requirements to file audited financial statements by virtue of Section 479A of the Companies Act 2006. In adopting the exemption, IQE plc has provided a statutory guarantee to these subsidiaries in accordance with Section 479C of the Companies Act 2006.

Notes to the financial statements *continued*

for the year ended 31 December 2025

31. Related party transactions**Company****Transactions with Key Management Personnel**

On 13 March 2025, certain key management personnel subscribed to 388,235 convertible loan notes issued at a 15% discount with a maturity of one year. Gross subscription monies received totalled £330,000. These convertible loan notes have the option to be converted into 2,588,235 shares in IQE plc (see Note 20). Key management personnel compensation is disclosed within Note 7.

Transactions with Group Companies

2025	Income £'000	Expense £'000	Trade Receivable £'000	Trade Payable £'000	Loan Receivable £'000	Loan Payable £'000
IQE (Europe) Limited	830	(14)	485	(1)	61	–
IQE Silicon Compounds Limited	800	–	658	–	2,778	–
NanoGaN Limited	–	–	–	–	–	–
Wafer Technology International Limited	5,255	–	–	–	–	–
Wafer Technology Limited	335	(10)	295	–	–	(243)
IQE USA Inc	–	–	–	–	–	–
IQE Inc	934	(62)	765	(3)	134,175	–
IQE KC LLC	888	(111)	753	–	–	(30,295)
IQE RF LLC	–	–	–	–	–	–
KTC Wireless LLC	–	–	–	–	–	–
Galaxy Compound Semiconductors Inc	133	–	86	–	–	–
IQE Taiwan ROC	11	–	–	–	–	–
Compound Semiconductor Centre Limited	128	–	144	–	–	(3,688)

IQE plc has recognised an expected credit loss within the year of £21,953,000 (2024: £64,476,000) in respect of loan receivables from Group companies. As at the year end, IQE plc has recognised a total expected credit loss of £100,223,000 (2024: £78,270,000).

2024	Income £'000	Expense £'000	Trade Receivable £'000	Trade Payable £'000	Loan Receivable £'000	Loan Payable £'000
IQE (Europe) Limited	827	(158)	310	–	316	–
IQE Silicon Compounds Limited	7,862	–	480	–	2,058	–
NanoGaN Limited	–	–	–	–	–	(1,750)
Wafer Technology International Limited	–	–	–	–	–	–
Wafer Technology Limited	178	(11)	141	(3)	–	(4,163)
IQE USA Inc	–	–	–	–	9,932	–
IQE Inc	741	(78)	489	(6)	130,429	–
IQE KC LLC	4,573	(1)	597	–	–	(17,223)
IQE RF LLC	–	–	–	–	562	–
KTC Wireless LLC	–	–	–	–	–	(20,262)
Galaxy Compound Semiconductors Inc	90	–	54	–	–	(10,232)
IQE Taiwan ROC	21	–	–	–	–	–
Compound Semiconductor Centre Limited	108	–	120	–	–	(2,322)

32. Commitments

The Group had capital commitments on 31 December 2025 of £210,000 (2024: £162,000).

33. Post balance sheet events**Convertible loan note extension**

On 18 February 2026, the Group exercised its option contained in its convertible loan notes to extend the maturity of the instruments by 6 months to 13 September 2026.

Fundraising

On 28 May 2026, the Group completed a financing (the 'Fundraising') which raised gross proceeds of approximately £81,000,000.

The Fundraising comprised a subscription for new ordinary shares by strategic investor MACOM Technology Solutions Holdings Inc at an issue price of 19.8 pence per share raising approximately £30,000,000, a placing and retail offer of new ordinary shares at an issue price of 19.8 pence per share raising approximately £13,000,000, the issue of £15,000,000 of new convertible loan notes (the 'New CLNs') to MACOM Technology Solutions Holdings Inc, and the restructuring of the Company's existing convertible loan notes (the 'Existing CLNs').

Under the terms of the Fundraising, holders of the Existing CLNs agreed to the redemption of their holdings. Approximately £23 million of the amounts due on redemption was reinvested in new ordinary shares at the issue price, with the balance settled in cash.

As the Fundraising was announced after the reporting date and the related conditions did not exist at that date, it has been treated as a non-adjusting event in accordance with IAS 10 Events after the Reporting Period. Accordingly, no adjustment has been made to the amounts recognised in these financial statements.

Following completion, the Fundraising resulted in a significant net cash position for the Group with the net proceeds used to repay the Group's existing RCF bank debt, support the Group's working capital requirements and ongoing strategic investment, and significantly strengthen the Group's overall financial position.



Other Information

Glossary

Artificial intelligence (AI)	A simulation of human intelligence in machines, including machines which are programmed to mimic human action or exhibit humanistic traits such as learning or problem-solving
Augmented Reality (AR)	A technology that superimposes a computer-generated image on a user's view of the real world to provide a composite view
Compound semiconductor	A semiconductor formed from more than one element, typically comprising a mixture of elements from Groups III and V of the Periodic Table
Cloud computing	A network of remote servers hosted on the internet to store, manage and process data
CMOS++	Compound materials on Silicon
CMD	Capital Markets Day
CVD	Chemical Vapour Deposition. IQE's technique for making Advanced Silicon/Group IV epiwafers, characterised by using compound sources flowed across a hot wafer where they are 'cracked' (reacted) to get the desired material
Device structure	The term used to describe the particular series of epitaxial layers on a substrate crystal. They are typically specified by their thickness, composition, electrical and opto-electronic properties
Dilute Nitride	A material where small amounts of Nitrogen are added to GaAs in order to enable GaAs to be used in applications typically reserved for InP
Epitaxy (epitaxial growth)	Deposition of high-quality, crystalline layers on a substrate. By specifically choosing the composition and sequence of the layers in epitaxial growth, the optical and electrical properties of the epiwafer are able to be tuned and these individual layers are referred to as 'epilayers'
Epiwafer or epitaxial wafer	The term used to describe the substrate crystal with epitaxial layers deposited thereon (see also 'wafer')
GaAs	Gallium Arsenide
GaN	Gallium Nitride
GaSb	Gallium Antimonide
Ge	Germanium
InP	Indium Phosphide
Internet of Things (IoT)	Network of physical objects – 'things' which are able to collect and transfer data over a wireless network without human intervention
IR	Infrared
LIDAR	Light detection and ranging – a method for measuring distances by illuminating the target with a laser light
MBE	Molecular Beam Epitaxy. One of IQE's primary techniques for making compound semiconductor epiwafers, characterised by deposition using elemental sources impinging on a hot wafer where a reaction occurs to get the desired material. MBE occurs at extremely low pressure (known as ultra-high vacuum) which is comparable to that of outer space
MOCVD	Metal Organic Chemical Vapour Deposition. One of IQE's primary techniques for making compound semiconductor epiwafers, characterised by deposition using compound sources that are flowed across a hot wafer where they are 'cracked' (reacted) to get the desired material. MOCVD occurs at much higher pressures than MBE and also goes by the name MOVPE (Metal Organic Vapour Phase Epitaxy)

OEM	Original equipment manufacturer
Opto-electronic device	A device or structure in which light and electricity interact to produce, detect or manipulate light
PHEMT	Pseudomorphic High Electron Mobility Transistor. A commonly used device for high-speed switching for wireless communications
QDL	Quantum dot laser. A type of semiconductor laser technology that extends the wavelength to longer values for GaAs. Three dimensional islands (dots) are engineered to be formed during the growth of the structure active region.
Reactor	The equipment used to produce epitaxial layers on a substrate
RF	Radio frequency
RGB display	Three-colour display where emissions from red, blue and green pixels create the image.
SBTi	Science-Based Targets initiative. The SBTi defines and promotes best practice in emissions reductions and Net Zero targets in line with climate science
Semiconductor	A material with resistivity which lies somewhere between that of a conductor and an insulator
Si	Silicon
SiC	Silicon Carbide
Structured light scanner	A 3D scanning device which measures an object using projected light patterns and a camera system
Substrate	The term used to describe the base wafer used for the epitaxial substrate crystal growth process
Time of Flight (ToF) camera	A camera which calculates the distance between the subject by measuring the trip time of an artificial light signal emitted by a laser or LED
VCSEL	Vertical Cavity Surface Emitting Laser, an opto-electronic component used in a variety of applications
Wafer	The term used to describe the substrate crystal in the form of thinly sliced discs or the substrate disc with one or more epitaxial layers deposited upon it
WiFi 6	Sixth generation of wireless local area networking technologies characterised by improved performance characteristics
3D Sensing	Three-dimensional depth sensing technology which is enabled by IQE's VCSELs
5G	5 th generation mobile network designed to provide enhanced connectivity and higher speeds

Investor information

Registered Office

Pascal Close
St Mellons
Cardiff CF3 0LW
United Kingdom

Investor Relations

Amy Barlow
Phone: +44 (0)2920 839 400
investors@iqep.com

Principal Banker

HSBC Bank Plc
8 Canada Square
London E14 5HQ

Auditor

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff CF10 4AX

Nominated Advisers and Brokers

NOMAD and Joint Broker

Peel Hunt LLP
7th Floor
100 Liverpool Street
London EC2M 2AT

Joint Broker

Deutsche Numis
45 Gresham Street
London EC2V 7BF

Registrar

Equiniti
Highdown House
Yeoman Way
Worthing
West Sussex, BN99 6DA

Financial Public Relations

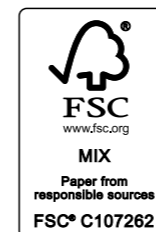
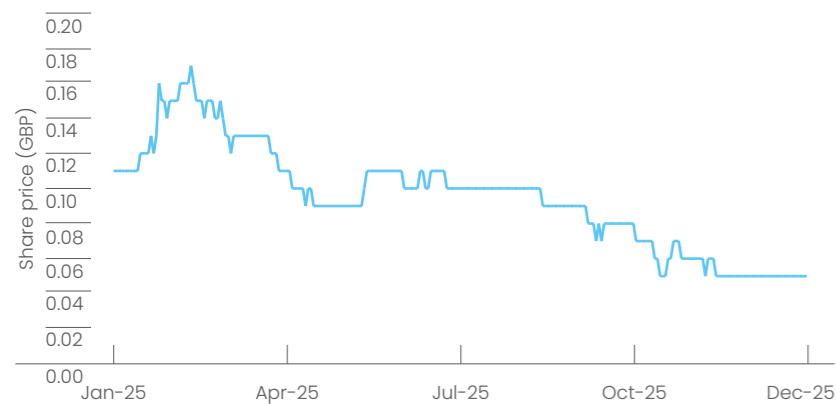
Headland Consultancy
3rd Floor, One New Change
London EC4M 9AF
iqe@headlandconsultancy.com

Share price information

Exchange: London Stock Exchange FTSE AIM Index
Ticker: IQE:LN
ISIN: GB0009619924

Share price performance

as at 31 December 2025
Loss per share: (3.77p)



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Pascal Close
St Mellons
Cardiff, CF3 0LW
United Kingdom
www.iqep.com