IQE plc

Cardiff, UK
7 September 2026

H1 2026 Results

- *Revenue growth of over 40% year-on year driving step change in profitability*
- *Strong order book and long-term agreements enabling greater visibility and momentum*
- *Intention to move to the Main Market of London Stock Exchange*

IQE plc (AIM: IQE, "IQE" or the "Group"), the leading global supplier of compound semiconductor wafer products and advanced material solutions, today announces its unaudited results for the six months ended 30 June 2026.

Jutta Meier, Chief Executive Officer of IQE, commented:

"*I am pleased to report a strong first half performance, with more than 40% revenue growth year-on-year across our core markets driving profitability. This reflects the strong momentum we are seeing across AI-driven data centre infrastructure, advanced sensing, wireless and defence applications, alongside improved operational execution and a more favourable product mix.*

"During the period, we have demonstrated our ability to capture long-term growth opportunities across these critical markets, underpinned by a number of key supply agreements. IQE is uniquely positioned to meet customer needs and will be converting existing capacity in H2 to support the increasing demand for Indium Phosphide solutions.

"Looking ahead, we have initiated a move to the Main Market of the London Stock Exchange, marking an important next step in IQE's development and reflecting the Board's ambition to broaden support for the business and position IQE for the future."

H1 2026 Financial Summary:

	H1 2026 £'m	**H1 2025 £'m**
Revenue	64.6	45.3
Adjusted EBITDA[1]	6.0	(0.4)
Adjusted loss before tax	(8.2)	(16.0)
Reported loss before tax	(12.6)	(18.3)
Adjusted net cashflow from operations	4.7	6.2
Reported net cashflow from operations	1.2	3.6
Cash capital expenditure[2]	(1.1)	(1.0)

Adjusted net cash/(debt)[3]	30.2	(23.5)
Cash and cash equivalents	41.6	17.0
Reported Diluted EPS	(1.25p)	(1.84p)
Adjusted Diluted EPS	(0.82p)	(1.60p)

1. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and certain non-cash charges, non-operational items and significant infrequent items set out in Note 8 in the financial statements section.
2. Cash capital expenditure stated is Property, Plant and Equipment cash capex.
3. Adjusted net cash/(debt) is calculated as cash less borrowings but excluding lease liabilities.

Financial highlights:

- **Revenue** for H1 2026 increased 43% year-on-year at £64.6m (H1 2025: £45.3m).
  - **Wireless revenue** of £26.0m (H1 2025: £18.6m) increased 40% year-on-year, reflecting market share gains and increased sales of wireless mobile connectivity solutions across newly qualified customer platforms.
  - **Photonics revenue** of £38.5m (H1 2025: £26.6m) increased 45% year-on-year driven by a combination of funding releases for certain US military and defence programmes and continued growth in AI and data centre related markets.
- **Adjusted EBITDA** of £6.0m (H1 2025: (£0.4m) LBITDA) reflects the combination of a higher revenue base and improved gross margins. Margin expansion was driven by increased utilisation of manufacturing assets and capacity across the Group, together with a more favourable product mix resulting from a higher proportion of Photonics sales.
- **Reported net cashflow from operations** of £1.2m (H1 2025: £3.6m) as a result of an increase in revenues and adjusted EBITDA, partially offset by a working capital outflow of £4.0m and restructuring and strategic review costs of £2.4m.
- **Cash capital expenditure** (PP&E) of £1.1m (H1 2025: £1.0m) reflects a continued prudent approach to capital expenditure.
- **Cash and cash equivalents** of £41.6m as at 30 June 2026, with adjusted net cash of £30.2m (H1 2025: adjusted net debt of £23.5m) following the conclusion of the Group's strategic review and receipt of fundraising proceeds.

Operational highlights:

- The Group continues to prioritise efficiency and operational excellence, and is already seeing improvements in yield and production outputs across its sites.
- Matthew Geen appointed as Chief Operating Officer in order to drive further progress and strengthen operational oversight.
- Change in customer engagement model resulting in high volume of supply agreements signed since the conclusion of the Group's strategic review, providing strong future order visibility and optimised utilisation.

- Existing tooling to be converted to increase Indium Phosphide capacity in H2 and meet significant demand for AI and data centre markets, in line with commercially driven approach to operations.

Market update:

AI and data centres

- Strong InP demand is driving volume growth, complemented by qualifications in GaAs-based new optical interconnect technologies for AI and data centre markets.
- Development and sampling of GaN-on-Si microLED epitaxy with partners serving hyperscalers for high-bandwith, energy-efficient data transfer in AI data centres.
- Qualification of GaN-on-Si power epitaxy for use in high-efficiency AI and data centre power supply units.

Consumer electronics

- Launch of next-generation 3D sensing VCSEL technologies for future premium consumer devices, enabling enhanced sensing capabilities and supporting new smartphone form factors.
- Continued strong progress in multiple microLED epitaxy programmes, achieving key development milestones and supporting future customer qualification activities for augmented reality and next-generation display applications.
- Advancing programmes for wearable sensing applications through collaboration with ecosystem partners, supporting progression from technology development towards future production opportunities.

Aerospace and defence

- Continued expansion of the GaN RF pipeline through new product qualifications and design-in activity across terrestrial, satellite including Low Earth Orbit (LEO), and defence radar platforms.
- Expanded global infrared customer base by securing multiple production orders and qualification opportunities across new geographies.

Communications infrastructure

- Strong progress with GaN-on-SiC qualifications for mobile base station infrastructure serving high-frequency and high-power RF networks.
- Diversification of HBT technology into high-frequency consumer connectivity applications, including WiFi 7.

Automotive and industrial

- Achieved qualification and full-rate production of long-wavelength infrared and dual-band products for multiple Tier 1 customers, supporting growth in autonomous vehicles, defence and advanced sensing applications.

- Actively expanding our US-based foundry partner ecosystem, broadening our geographic reach and securing global supply chains for 100V & 650V technology nodes.

Current trading and outlook:

Trading in H1 2026 exceeded management expectations, supported by strong demand across all of the Group's core segments. Following the July trading update and upgraded guidance, the Group has continued to see strong momentum in the second half, which is expected to support growth through the remainder of 2026 and beyond.

IQE remains confident in achieving its FY 2026 guidance of revenue growth in excess of 30% year-on-year, resulting in low-teens £m adjusted EBITDA.

The Group also sees potential for upside opportunities in optical communications for data centre and AI infrastructure, underpinned by recently signed supply agreements.

Move to Main Market:

The Group today announces its intention to apply for the Company's ordinary shares to be admitted to trading on the Main Market of the London Stock Exchange. As the UK's premier listing venue, the Board believes this is the natural progression in IQE's development as a global semiconductor materials business. The Board expects the move to enhance the Company's investor profile, broaden access to institutional capital, improve liquidity in the Company's shares and support inclusion in FTSE indices, while maintaining the highest standards of governance and disclosure. The Group is targeting admission in H1 2027 and updates will be provided in due course.

Results presentation:

IQE will present its H1 2026 Results via webcast at **9:00am** today, 7 September 2026. If you would like to view this webcast, please register by using the below link and following the instructions:

https://brrmedia.news/IQE_HY26

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GLOSSARY

	Material system	End market
InP	Indium Phosphide	• AI and data centre • Aerospace and defence • Communications infrastructure
GaN	Gallium Nitride	• AI and data centre • Consumer electronics • Aerospace and defence • Communications infrastructure • Automotive and industrial
GaAs	Gallium Arsenide	• AI and data centre • Consumer electronics • Aerospace and defence • Communications infrastructure • Automotive and industrial
GaSb	Gallium Antimonide	• Aerospace and defence • Automotive and industrial
InSb	Indium Antimonide	• Aerospace and defence

ABOUT IQE

http://iqep.com

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

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

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

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

Financial Review

Consolidated Income Statement (All figures £'000s)	Note	6 months to 30 Jun 2026 Unaudited	6 months to 30 Jun 2025 Unaudited	12 months to 31 Dec 2025 Audited
Revenue	7	**64,558**	**45,254**	**97,300**
Cost of sales		(58,565)	(44,723)	(95,948)
Gross profit		**5,993**	**531**	**1,352**
Selling, general and administrative expenses		(14,061)	(16,305)	(27,758)
Impairment loss on intangible assets		-	(6,968)	(9,586)
Impairment loss on property, plant and equipment		-	(401)	(402)
Impairment loss on right-of-use asset		-	(245)	(245)
Impairment loss on trade receivables and contract assets		(89)	(65)	(787)
Profit/(loss) on disposal of intangible assets and property, plant and equipment		12	-	(800)
Gains on disposal of foreign operations		-	8,167	8,167
Operating loss	7	**(8,145)**	**(15,286)**	**(30,059)**
Finance income		211	117	294
Finance costs		(4,640)	(3,163)	(7,269)
Adjusted loss before income tax		**(8,170)**	**(15,994)**	**(27,939)**
Adjustments	8	(4,404)	(2,338)	(9,095)
Loss before income tax	7	**(12,574)**	**(18,332)**	**(37,034)**
Taxation		(336)	462	339
Loss for the period		**(12,910)**	**(17,870)**	**(36,695)**
Loss attributable to:				
Equity shareholders		(12,910)	(17,870)	(36,695)
		(12,910)	**(17,870)**	**(36,695)**
Loss per share attributable to owners of the parent during the period				
Basic loss per share	10	(1.25p)	(1.84p)	(3.77p)
Diluted loss per share	10	(1.25p)	(1.84p)	(3.77p)

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

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

Consolidated statement of comprehensive income **(All figures £'000s)**	**6 months to 30 Jun 2026 Unaudited**	**6 months to 30 Jun 2025 Unaudited**	**12 months to 31 Dec 2025 Audited**
Loss for the period	(12,910)	(17,870)	(36,695)
Exchange differences on translation of foreign operations*	1,001	(3,710)	(3,508)
Cumulative exchange differences on disposal of foreign operations	-	(8,167)	(8,167)
Total comprehensive expense for the period	**(11,909)**	**(29,747)**	**(48,370)**
Total comprehensive expense attributable to:			
Equity shareholders	(11,909)	(29,747)	(48,370)
	(11,909)	**(29,747)**	**(48,370)**

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

Consolidated Balance Sheet

(All figures £'000s)	Note	As At 30 Jun 2026 Unaudited	As At 30 Jun 2025 Unaudited	As At 31 Dec 2025 Audited
Non-current assets				
Intangible assets		16,845	19,842	17,244
Property, plant and equipment		89,505	103,397	95,253
Right-of-use assets		36,753	39,382	38,146
Deferred tax		-	-	282
Total non-current assets		**143,103**	**162,621**	**150,925**
Current assets				
Inventories		19,827	19,435	18,665
Trade and other receivables		33,694	29,214	28,093
Cash and cash equivalents	12	41,596	16,990	15,653
Total current assets		**95,117**	**65,639**	**62,411**
Total assets		**238,220**	**228,260**	**213,336**
Current liabilities				
Trade and other payables		(33,709)	(32,290)	(29,345)
Current tax liabilities		(16)	-	(27)
Bank borrowings	12	-	-	(26,816)
Convertible loan notes	12	-	(18,243)	(20,321)
Lease liabilities	12	(5,463)	(4,541)	(4,691)
Provisions for other liabilities and charges		(459)	(938)	(645)
Total current liabilities		**(39,647)**	**(56,012)**	**(81,845)**
Non-current liabilities				
Trade and other payables		(1,509)	(1,911)	(1,683)
Bank borrowings	12	-	(22,285)	-
Convertible loan notes	12	(11,411)	-	-
Lease liabilities	12	(37,065)	(41,756)	(39,862)
Provisions for other liabilities and charges		(266)	(235)	(252)
Deferred tax liabilities		(23)	-	-
Total non-current liabilities		**(50,274)**	**(66,187)**	**(41,797)**
Total liabilities		**(89,921)**	**(122,199)**	**(123,642)**
Net assets		**148,299**	**106,061**	**89,694**
Equity attributable to shareholders of the parent				
Share capital	14	13,310	9,765	9,783
Share premium		218,229	155,972	155,972
Retained earnings		(135,249)	(103,514)	(122,339)
Exchange rate reserve		20,947	19,744	19,946
Other reserves		31,062	24,094	26,332
Total equity		**148,299**	**106,061**	**89,694**

Consolidated Statement of Changes in Equity

Unaudited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Total equity
At 1 January 2026	**9,783**	**155,972**	**(122,339)**	**19,946**	**26,332**	**89,694**
Loss for the period	-	-	(12,910)	-	-	(12,910)
Other comprehensive expense for the period	-	-	-	1,001	-	1,001
Total comprehensive expense	**-**	**-**	**(12,910)**	**1,001**	**-**	**(11,909)**
Share based payments	-	-	-	-	1,234	1,234
Transfer on exercise of nil-cost options	8	-	-	-	(8)	-
Equity component of convertible loan notes (net of expenses)	-	-	-	-	3,504	3,504
Proceeds from shares issued (net of expenses)	3,519	62,257	-	-	-	65,776
Total transactions with owners	**3,527**	**62,257**	**-**	**-**	**4,730**	**70,514**
At 30 June 2026	**13,310**	**218,229**	**(135,249)**	**20,947**	**31,062**	**148,299**

Unaudited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Total equity
At 1 January 2025	**9,672**	**155,972**	**(85,644)**	**31,621**	**22,489**	**134,110**
Loss for the period	-	-	(17,870)	-	-	(17,870)
Other comprehensive expense for the period	-	-	-	(11,877)	-	(11,877)
Total comprehensive expense	**-**	**-**	**(17,870)**	**(11,877)**	**-**	**(29,747)**
Share based payments	-	-	-	-	1,399	1,399
Equity component of convertible loan notes	-	-	-	-	206	206
Proceeds from shares issued (net of expenses)	93	-	-	-	-	93
Total transactions with owners	**93**	**-**	**-**	**-**	**1,605**	**1,698**
At 30 June 2025	**9,765**	**155,972**	**(103,514)**	**19,744**	**24,094**	**106,061**

Audited (All figures £'000s)	Share capital	Share premium	Retained earnings	Exchange rate reserve	Other reserves	Total equity
At 1 January 2025	**9,672**	**155,972**	**(85,644)**	**31,621**	**22,489**	**134,110**
Loss for the year	-	-	(36,695)	-	-	(36,695)
Other comprehensive expense for the year	-	-	-	(11,675)	-	(11,675)
Total comprehensive expense	**-**	**-**	**(36,695)**	**(11,675)**	**-**	**(48,370)**
Share based payments	-	-	-	-	3,637	3,637
Proceeds from shares issued (net of expenses)	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**	**(122,339)**	**19,946**	**26,332**	**89,694**

Consolidated Cash Flow Statement

(All figures £'000s)	Note	6 months to 30 Jun 2026 Unaudited	6 months to 30 Jun 2025 Unaudited	12 months to 31 Dec 2025 Audited
Cash flows from operating activities				
Adjusted cash inflow from operations		**4,680**	**6,190**	**11,180**
Cash impact of adjustments	8	(3,485)	(2,582)	(3,110)
Cash generated from operations	11	**1,195**	**3,608**	**8,070**
Interest received		211	117	294
Interest paid		(7,791)	(1,961)	(3,887)
Income tax paid		(50)	(560)	(754)
Net cash (used)/generated in operating activities		**(6,435)**	**1,204**	**3,723**
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,069)	(1,038)	(5,092)
Purchase of intangible assets		(25)	(94)	(165)
Capitalised development expenditure		(798)	(1,516)	(3,096)
Proceeds from disposal of property, plant and equipment and intangible assets		18	116	114
Acquisition of subsidiary, net of cash received*		(205)	(150)	(150)
Adjusted cash used in investing activities		**(2,079)**	**(2,682)**	**(8,503)**
Cash impact of adjustments – proceeds from disposal of property, plant and equipment and intangible assets	8	-	-	114
Net cash used in investing activities		**(2,079)**	**(2,682)**	**(8,389)**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		66,798	93	111
Expenses associated with issuance of ordinary shares		(1,014)	-	-
Proceeds from issuance of convertible loan notes		15,000	18,000	18,000
Expenses associated with issuance of convertible loan notes		(157)	(715)	(715)
Proceeds from bank borrowings		-	-	4,105
Repayment of bank borrowings		(26,120)	-	-
Repayment of convertible loan notes		(17,794)	-	-
Payment of lease liabilities		(2,315)	(3,419)	(5,680)
Net cash generated from financing activities		**34,398**	**13,959**	**15,821**
Net increase in cash and cash equivalents		**25,884**	**12,481**	**11,155**
Cash and cash equivalents at the beginning of the period		15,653	4,660	4,660
Exchange gains/(losses) on cash and cash equivalents		59	(151)	(162)
Cash and cash equivalents at the end of the period	12	**41,596**	**16,990**	**15,653**

* 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.

1. REPORTING ENTITY

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

These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2026 comprise the Company and its Subsidiaries (together referred to as 'the Group'). The principal activities of the Group are the development, manufacture and sale of advanced semiconductor materials.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2025 which were approved by the Board of Directors on 28 May 2026 and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain any statement under section 498 of the Companies Act 2006 and did not contain a material uncertainty related to going concern.

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

Comparative information in the interim financial statements as at and for the year ended 31 December 2025 has been taken from the published audited financial statements as at and for the year ended 31 December 2025. All other periods presented are unaudited.

The comparative results for the six months ended 30 June 2025 have been restated to reclassify the gain on disposal of foreign operations from reserves to the income statement, consistent with the audited 31 December 2025 financial statements. The restatement reduced the loss for the period by £8,167,000, reduced the reserve transfer previously disclosed by the same amount, and reduced basic and diluted loss per share by 0.85p. There was no impact on net assets or cash.

The Board of Directors and the Audit Committee approved the interim financial statements on 7 September 2026.

3. GOING CONCERN

The Directors have prepared forecasts and cash flow projections for a period of 18 months from the date of these interim financial statements. These forecasts reflect the impact of the Fundraising completed on 27 May 2026 (Note 14).

Base case

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

The base case forecast reflects management's expectation of a continued improvement in market conditions over the assessment period. Revenue growth is assumed to be driven principally by increasing demand for Indium Phosphide (InP) solutions, reflecting their application in optical photonics products serving data centre and AI infrastructure markets. The forecast also assumes continued strength in aerospace and defence end markets, together with sustained demand for 3D sensing and wireless products.

The base case has been prepared using the following key assumptions:

- Revenue growth broadly consistent with current guidance and analyst consensus forecasts, including growth of at least 30% in both 2026 and 2027
- A GBP: USD exchange rate of 1.34 applied throughout the forecast period
- Direct wafer product margin broadly consistent with H1 2026 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 high-single digit £ millions in 2027.

Under the base case scenario, the Group is forecast to maintain sufficient liquidity to meet its obligations as they fall due throughout the forecast period. Minimum liquidity headroom of £37,700,000 is forecast in July 2026, increasing thereafter as forecast trading performance improves.

Severe but plausible downside

The Directors have also considered a severe but plausible downside scenario. This scenario reflects delays in the anticipated improvement in market conditions and incorporates no mitigating management actions:

- Revenue is assumed to be approximately 8% below the base case in H2 2026, 17% below the base case in H1 2027 and 25% below the base case in H2 2027, reflecting a combination of delays in expected market growth and the increased uncertainty associated with forecasting over longer time horizons; and
- Variable operating costs are assumed to reduce in line with the lower revenue levels throughout H2 2026 and 2027.

Under the severe but plausible downside scenario, the Group is forecast to maintain sufficient liquidity to meet its obligations as they fall due throughout the forecast period. Minimum liquidity headroom of £33,800,000 is forecast in December 2027.

Under both the base case and severe but plausible downside scenario, the Group is forecast to maintain positive liquidity throughout the going concern assessment period. In each scenario, the Group retains sufficient liquidity headroom and remains able to meet its obligations as they fall due.

Having considered the forecasts, cash flow projections and the range of reasonably possible outcomes, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these interim financial statements.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these interim financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty are summarised as follows:

4.1 Cash Generating Unit (CGU’s) Impairment

Critical Accounting Judgement – Assessment of impairment indicators

At each reporting date, the Group is required to assess whether there is any indication that non-current assets, including goodwill and other intangible assets, may be impaired. This assessment requires judgement in evaluating both external and internal sources of information in accordance with IAS 36 ‘Impairment of Assets’.

In performing the assessment at 30 June 2026, consideration was given to a range of factors including the Group's market capitalisation, trading performance, profitability, liquidity position, financing risk and broader market conditions. Consideration was also given to the outcome of the impairment review performed as part of the 2025 Annual Report and Accounts and the extent to which actual performance during H1 2026 aligned with, or differed from, the assumptions incorporated within those value-in-use models.

It was concluded that no indicators of impairment existed in either the Wireless or Photonics CGUs at 30 June 2026. This judgement was based on several factors, including:

- The Group's market capitalisation of £515,800,000 significantly exceeded its net asset value of £148,299,000 at 30 June 2026;
- Trading performance during H1 2026 exceeded the assumptions included within the 2025 impairment models, with revenue, profitability and cash generation ahead of forecast;
- Both the Wireless and Photonics CGUs delivered positive adjusted earnings before interest, tax, depreciation and amortisation, following recent periods of loss-making performance;
- The successful completion of the Group's Fundraise (note 14) strengthened liquidity and reduced financing risk; and

- Company-specific risk factors reduced during the period, such that discount rates applicable to any future value-in-use assessment would be expected to be lower than those applied in the 2025 impairment review.

Having considered both external and internal sources of information, the Directors concluded that no indicators of impairment existed at 30 June 2026 and that there were no events or changes in circumstances indicating that the carrying amounts of the Wireless and Photonics CGUs may not be recoverable. Consequently, no impairment test was required under IAS 36 at the interim reporting date.

4.2 2026 Convertible Loan Notes

Critical Accounting Judgement - Classification and Initial Measurement of the 2026 Convertible Loan Notes

The Group issued Convertible Loan Notes during the year. In accounting for these instruments, judgement was required in applying the requirements of IAS 32 'Financial Instruments: Presentation and IFRS 9 Financial Instruments'.

The contractual terms of the Convertible Loan Notes were assessed to determine whether the conversion feature should be classified as an equity instrument or as a derivative financial liability. This assessment required consideration of whether the conversion feature met the fixed-for-fixed criterion in IAS 32, whereby the instrument would be exchanged for a fixed number of the Company's ordinary shares in return for a fixed amount of cash.

Following this assessment, it was concluded that the conversion feature satisfied the requirements for equity classification. Accordingly, the Convertible Loan Notes were accounted for as a compound financial instrument comprising a liability component, representing the contractual cash flow obligations, and an equity component, representing the holder's conversion option.

The Directors consider this judgement to be significant because an alternative conclusion could have resulted in the conversion feature being classified as a derivative financial liability measured at fair value through profit or loss, which would have materially affected the Group's financial position and reported results.

Critical Accounting Judgement – Classification of Warrants Issued in Connection with the 2026 Convertible Loan Notes

The Group issued Warrant Instruments in conjunction with its 2026 Convertible Loan Notes that provide the holder with the right to subscribe for ordinary shares at an exercise price of 19.8 pence per share during the term of the Convertible Loan Notes. The warrants are exercisable in certain specific circumstances and expire at the earlier of conversion, repayment of principal in accordance with the contractual repayment schedule, or final maturity of the underlying 2026 Convertible Loan Notes.

In accounting for these Warrant Instruments, judgement was required in determining whether the warrants should be classified as equity instruments or as derivative financial liabilities under IAS 32 'Financial Instruments: Presentation'. This assessment focused on whether the warrants satisfy the fixed-for-fixed criterion in IAS 32. Under this criterion, a contract may be classified as equity only if it will be settled by exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

Following this assessment, it was concluded that the Warrants provide the holder with the right, in certain specific circumstances to subscribe for a fixed number of ordinary shares at a fixed exercise price of 19.8 pence per share. Based on this assessment, the Directors concluded that the warrants satisfy the fixed-for-fixed criterion and therefore qualify for classification as an equity instrument under IAS 32. Accordingly, the value attributable to the warrants was recognised within equity as part of the equity component of the 2026 Convertible Loan Notes on initial recognition and is not subsequently remeasured.

The Directors consider this judgement to be significant because an alternative conclusion could have resulted in the warrants being classified as derivative financial liabilities measured at fair value through profit or loss. Under such treatment, the warrants would be remeasured at each reporting date, with changes in fair value recognised within profit or loss, potentially resulting in material volatility in the Group's reported financial performance and financial position.

Key Sources of Estimation Uncertainty - Determination of Market Interest Rate Used to Measure the Liability Component

The initial carrying amount of the liability component of the Convertible Loan Notes was determined by discounting the contractual future cash flows associated with the debt element of the instrument using a market interest rate for a comparable debt instrument without an equity conversion feature.

As there is no directly observable market yield for an identical instrument issued by the Group, an appropriate market rate was required to be estimated. In determining the discount rate, consideration was given to prevailing market interest rates, borrowing terms available to comparable listed technology and semiconductor companies, the Group's recent funding arrangements and the secured nature of the instrument and its expected term.

Based on this assessment, it was determined that a market interest rate of 7.0% represented the best estimate of the rate that would have applied to an equivalent non-convertible borrowing at the date of issuance.

The estimated market interest rate is a significant source of estimation uncertainty because changes in the assumed rate would affect the allocation of proceeds between the liability and equity components recognised on initial recognition. A 1 percentage point increase in the assumed market interest rate would decrease the initial carrying amount of the liability component and increase the equity component recognised on issuance by approximately £414,000. A corresponding decrease in the assumed rate would have the opposite effect.

The Directors believe that the assumptions applied are reasonable and reflect the best information available at the reporting date; however, actual market rates for a comparable instrument may differ from those estimates.

4.3 Related Parties

Critical Accounting Judgement – Treatment of MACOM Technology Solutions Holdings Inc. (‘MACOM’) as a Related Party

Significant judgement was exercised in determining that MACOM has significant influence over the Group and is therefore a related party under IAS 24. Although MACOM's shareholding is below the threshold at which significant influence is presumed under IAS 28, significant influence was concluded to exist based on the combined effect of MACOM's equity holding, Board representation, contractual information and consent rights, and commercial arrangements with the Group. These factors, when considered collectively, provide MACOM with the ability to participate in the Group's financial and operating policy decisions and, accordingly, MACOM has been treated as a related party for the purposes of IAS 24. See Note 15 for related party transactions and balances.

5. MATERIAL ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2025. A number of new standards are effective from 1 January 2026 but they do not have a material effect on the Group's financial statements.

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

5.1 Recent accounting developments

In preparing the interim financial statements, the Group has adopted the following Standards, amendments and interpretations, which are effective for 2026 and will be adopted in the financial statements for the year ended 31 December 2026:

- Annual Improvements to IFRS Accounting Standards—Volume 11 which contains various improvement and enhancements to existing 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

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

5.2 Income tax expense

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

6. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group are set out in the Strategic Report in the 2025 Annual report and financial statements. The principal risks and uncertainties include:

- Health, safety, security and environment as the Group operates several manufacturing sites which utilise potentially harmful gases, materials and equipment
- Capital and liquidity as the Group's financial performance and strength has been adversely impacted by a recent semiconductor industry wide downturn and inventory correction cycle across key sectors, broader macroeconomic factors and delays in the adoption of certain new technologies, a position that has significantly improved during the first half of 2026 following the conclusion of the Strategic Review, completion of the Group's £80.8m Fundraise in May 2026 and significant increases in demand for the Group's Indium Phosphide solutions due to their critical role in enabling optical photonics products for data centres and AI infrastructures and strength in aerospace, defence and 3D sensing markets.
- Loss of key people as the Group's people are fundamental to its future success and the Group operates in a highly competitive industry for talent. Cost optimisation initiatives in recent years have resulted in a lean workforce with some areas particularly stretched
- International trade compliance as the Group operates across multiple jurisdictions in a highly regulated industry impacted by extra jurisdictional controls on products, software and technology
- Intellectual property as the semiconductor industry is highly competitive with competing intellectual property rights in the major jurisdictions
- Cyber security as the Group operates across multiple jurisdictions in an industry which is the subject of significant geopolitical focus.
- Equipment and site infrastructure as the Group's facilities operate ageing capital equipment which require modernisation.
- Supply of raw materials as geopolitical tensions have resulted in a specific risk related to the supply of critical compound semiconductor raw materials such as Gallium, Indium, Antimony and Germanium, including substrates incorporating these materials.

7. SEGMENTAL INFORMATION

Revenue	6 Months to 30 June 2026 Unaudited £'000	6 Months to 30 June 2025 Unaudited £'000	12 Months to 31 Dec 2025 Audited £'000
Wireless	26,023	18,596	40,101
Photonics	38,535	26,593	57,134
CMOS++	-	65	65
Revenue	**64,558**	**45,254**	**97,300**
Adjusted EBITDA			
Wireless	2,991	2,319	6,565
Photonics	9,536	3,572	8,398
CMOS++	-	(96)	(122)
Central corporate costs	(6,491)	(6,179)	(11,604)
Adjusted EBITDA	**6,036**	**(384)**	**3,237**
Depreciation	(8,507)	(10,072)	(19,613)
Amortisation	(1,282)	(2,492)	(4,588)
Profit on disposal of PPE	12	-	-
Adjusted operating loss	**(3,741)**	**(12,948)**	**(20,964)**
Wireless	(282)	(1,926)	(3,016)
Photonics	3,388	(4,325)	(5,410)
CMOS++	-	(168)	(226)
Central corporate costs	(6,847)	(6,529)	(12,312)
Adjusted items			
Wireless	(443)	7,555	6,810
Photonics	(656)	(8,431)	(9,209)
CMOS++	-	(714)	(4,385)
Central corporate costs	(3,305)	(748)	(2,311)
Operating loss	**(8,145)**	**(15,286)**	**(30,059)**
Wireless	(725)	5,629	3,794
Photonics	2,732	(12,756)	(14,619)
CMOS++	-	(882)	(4,611)
Central corporate costs	(10,152)	(7,277)	(14,623)
Finance income	211	117	294
Finance costs	(4,640)	(3,163)	(7,269)
Loss before tax	**(12,574)**	**(18,332)**	**(37,034)**

8. ADJUSTED PERFORMANCE MEASURES

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

			6 months to 30 Jun 2026			**6 months to 30 Jun 2025**			**2025**
£'000s	Adjusted Results	Adjusted Items	**Reported Results**	Adjusted Results	Adjusted Items	**Reported Results**	Adjusted Results	Adjusted Items	**Reported Results**
Revenue	64,558	-	**64,558**	45,254	-	**45,254**	97,300	-	**97,300**
Cost of sales	(57,994)	(571)	**(58,565)**	(44,292)	(431)	**(44,723)**	(94,868)	(1,080)	**(95,948)**
Gross profit	6,564	(571)	**5,993**	962	(431)	**531**	2,432	(1,080)	**1,352**
SG&A	(10,228)	(3,833)	**(14,061)**	(13,845)	(2,460)	**(16,305)**	(22,609)	(5,149)	**(27,758)**
Impairment of intangibles	-	-	**-**	-	(6,968)	**(6,968)**	-	(9,586)	**(9,586)**
Impairment of PPE	-	-	**-**	-	(401)	**(401)**	-	(402)	**(402)**
Impairment of right-of-use assets	-	-	**-**	-	(245)	**(245)**	-	(245)	**(245)**
Impairment loss of receivables	(89)	-	**(89)**	(65)	-	**(65)**	(787)	-	**(787)**
Profit/(loss) on disposal of PPE	12	-	**12**	-	-	**-**	-	(800)	**(800)**
Gain on disposal of foreign operations	-	-	**-**	-	8,167	**8,167**	-	8,167	**8,167**
EBITDA	6,036	(4,404)	**1,632**	(384)	(2,891)	**(3,275)**	3,237	(6,229)	**(2,992)**
Depreciation	(8,507)	-	**(8,507)**	(10,072)	-	**(10,072)**	(19,613)	-	**(19,613)**
Amortisation	(1,282)	-	**(1,282)**	(2,492)	-	**(2,492)**	(4,588)	-	**(4,588)**
Impairment of intangibles	-	-	**-**	-	(6,968)	**(6,968)**	-	(9,586)	**(9,586)**
Impairment of PPE	-	-	**-**	-	(401)	**(401)**	-	(402)	**(402)**
Impairment of right-of-use asset	-	-	**-**	-	(245)	**(245)**	-	(245)	**(245)**
Profit/(loss) on disposal of PPE	12	-	**12**	-	-	**-**	-	(800)	**(800)**
Gain on disposal of foreign operations	-	-	**-**	-	8,167	**8,167**	-	8,167	**8,167**
Operating loss	(3,741)	(4,404)	**(8,145)**	(12,948)	(2,338)	**(15,286)**	(20,964)	(9,095)	**(30,059)**
Finance income	211	-	**211**	117	-	**117**	294	-	**294**
Finance costs	(4,640)	-	**(4,640)**	(3,163)	-	**(3,163)**	(7,269)	-	**(7,269)**
Loss before tax	(8,170)	(4,404)	**(12,574)**	(15,994)	(2,338)	**(18,332)**	(27,939)	(9,095)	**(37,034)**
Taxation	(336)	-	**(336)**	462	-	**462**	500	(161)	**339**
Loss for the period	(8,506)	(4,404)	**(12,910)**	(15,532)	(2,338)	**(17,870)**	(27,439)	(9,256)	**(36,695)**
Loss per share									
Basic loss per share	(0.82p)	0.43p	**(1.25p)**	(1.60p)	0.24p	**(1.84p)**	(2.82p)	0.95p	**(3.77p)**
Diluted loss per share	(0.82p)	0.43p	**(1.25p)**	(1.60p)	0.24p	**(1.84p)**	(2.82p)	0.95p	**(3.77p)**

6 months to 30 June 2026 £'000s	Cost of sales	SG&A	Impairment	Profit on disposal	Other gains	**Pre-tax Items**	Tax impact	**Adjusted items**
Share based payments	571	1,540	-	-	-	**2,111**	-	**2,111**
Share based payments – CFO recruitment	-	78	-	-	-	**78**	-	**78**
Restructuring	-	2,215	-	-	-	**2,215**	-	**2,215**
Total	571	3,833	-	-	-	**4,404**	-	**4,404**

6 months to 30 June 2025 £'000s	Cost of sales	SG&A	Impairment	Profit on disposal	Other gains	**Pre-tax Items**	Tax impact	**Adjusted items**
Share based payments	431	914	-	-	-	**1,345**	-	**1,345**
Share based payments – CFO recruitment	-	36	-	-	-	**36**	-	**36**
CEO severance	-	8	-	-	-	**8**	-	**8**
Photonics CGU impairment	-	-	7,614	-	-	**7,614**	-	**7,614**
Restructuring	-	1,502	-	-	(8,167)	**(6,665)**	-	**(6,665)**
Total	431	2,460	7,614	-	(8,167)	**2,338**	-	**2,338**

2025 Reported £'000s	Cost of sales	SG&A	Impairment	Profit on disposal	Other gains	**Pre-tax Items**	Tax impact	**Adjusted items**
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**

The nature of the adjusted items is as follows:

Share based payments

The £2,111,000 (H1 2025: £1,345,000, 2025: £3,459,000) 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 £78,000 (H1 2025: £36,000, 2025: £116,000) relates to the share-based payment charge for new starter awards granted to the CFO, Jutta Meier, who is also now the Group CEO.

Restructuring

The charge of £2,215,000 (H1 2025: £6,665,000 credit, 2025: £2,485,000 credit) in the current year relates to the costs associated with the Group's Strategic Review which concluded in H1 2026. Prior year costs and credits relate 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 £2,215,000 (H1 2025 £565,000, 2025: £929,000) consist of legal and professional fees of £2,215,000 (H1 2025: £316,000, 2025: £784,000) relating to the Group's Strategic Review completed in H1 2026 (see note 14) and employee related costs of £nil (H1 2025: £249,000, 2025: £145,000) related to the restructuring of the Group's Executive Leadership Team following the departure of the former CEO.

US Restructuring – prior period

- US restructuring charges of £nil (H1 2025: £33,000, 2025: £34,000) relating to the strategic re-positioning of the Group's Massachusetts and North Carolina manufacturing sites consisted of reactor decommissioning costs.

UK restructuring – prior period

- UK restructuring charges of £nil (H1 2025: £715,000, 2025: £4,259,000) relating to the consolidation of the Group's South Wales activities into its Newport manufacturing site consisted of employee related costs of £nil (H1 2025: £91,000, 2025: £198,000), site decommissioning costs of £nil (H1 2025: £624,000, 2025: £1,012,000), patent cost impairments of £nil (H1 2025: £nil, 2025: £2,249,000) and loss on disposal of PPE of £nil (H1 2025: £nil, 2025: £800,000).

Asian Restructuring – prior period

- Taiwanese restructuring charges of £nil (H1 2025: £189,000, 2025: £460,000) consisted of employee related costs in relation to the restructuring of the Taiwanese leadership team.
- Singapore restructuring credit of £nil (H1 2025: £8,167,000, 2025: £8,167,000) relates to the gain on liquidation of the Group's Singapore legal entities (MBE Technology Pte Ltd and CSDC Private Limited). The gain arose because of a 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.

Chief Executive Officer Severance – prior period

The charge of £nil (H1 2025: £8,000, 2025: £21,000) relates to costs, primarily related to payments in lieu of notice, associated with the termination of the former CEO's employment.

Photonics CGU impairment – prior period

An impairment was identified in the prior period relating to the Photonics CGU determined based on value in use calculations. The non-cash impairment loss of £7,984,000 (H1 2025: £7,614,000) related to the Group's predominately UK related photonics assets and was allocated to goodwill and the relevant UK based intangible and tangible assets which 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.

The cash impact of adjusting items is set out below:

£'000s	Cash from operations	Investing activities	**6 months to 30 Jun 2026 Total**	Cash from operations	Investing activities	**6 months to 30 Jun 2025 Total**	Cash from operations	Investing activities	**12 months to 31 Dec 2025 Total**
Reported cash flows	1,195	(2,079)	**(884)**	3,608	(2,682)	**926**	8,070	(8,389)	**(319)**
Share-based payments – social security	820	-	**820**	80	-	**80**	94	-	**94**
CEO severance	-	-	**-**	534	-	**534**	240	-	**240**
Onerous contract	217	-	**217**	240	-	**240**	240	-	**240**
Restructuring	2,448	-	**2,448**	1,728	-	**1,728**	2,536	(114)	**2,422**
Total adjusted items	3,485	-	**3,485**	2,582	-	**2,582**	3,110	(114)	**2,996**
Adjusted cash flows	4,680	(2,079)	**2,601**	6,190	(2,682)	**3,508**	11,180	(8,503)	**2,677**

Onerous contract

Onerous contract cash flows reflect royalty payments relating to the Group's cREO™ technology where development activity ceased in prior periods totals £217,000 (H1 2025: £240,000, 2025: £240,000).

Restructuring

Cash defrayed totalling £2,448,000 (H1 2025: £1,728,000, 2025: £2,422,000) in the current period relates to costs associated with the Group's Strategic Review which concluded in H1 2026. Prior year costs relate to the consolidation of the Group's US, UK and Asian manufacturing operations and the restructuring of the Group's Executive and Taiwanese Leadership Teams.

Group Restructuring

- Cash costs defrayed of £2,182,000 (H1 2025: £956,000, 2025: £1,215,000) consist of legal and professional fees of £2,182,000 (H1 2025: £505,000, 2025: £968,000) relating to the Group's Strategic review completed in H1 2026 (see Note 14) and employee retention and restructuring costs of £266,000 (H1 2025: £451,000, 2025: £247,000) related to certain members of the Group's Executive and Taiwanese leadership teams.

US Restructuring – prior period

- Cash costs of £nil (H1 2025: £57,000, 2025: £18,000) related to the closure of the Group's manufacturing facility in Pennsylvania.
- Cash costs of £nil (H1 2025: £nil, 2025: £41,000) related to the strategic repositioning of the Group's Massachusetts and North Carolina manufacturing sites. Cash proceeds on disposal of US reactors included in investing activities totals £nil (H1 2025: £nil, 2025: £114,000).

UK Restructuring – prior period

- Cash costs related to the consolidation of the Group's South Wales activities into its Newport manufacturing site total £nil (H1 2025: £715,000, 2025: £1,262,000).

Adjustments to net cash/(debt)

(All figures £'000s)	**6 months to 30 June 2026 Unaudited**	**6 months to 30 June 2025 Unaudited**	**12 months to 31 Dec 2025 Audited**
Net debt (Note 12)	(12,343)	(69,835)	(76,037)
Lease liabilities due after one year	37,065	41,756	39,862
Lease liabilities due within one year	5,463	4,541	4,691
Adjusted net cash/(debt)	**30,185**	**(23,538)**	**(31,484)**

9. TAXATION

The Group's consolidated effective tax rate for the six months ended 30 June 2026 was 2.7% (H1 2025: (1.7%), 2025: (0.9%)). The effective tax rate differs from the theoretical amount that would arise from applying the standard corporation tax in the UK of 25.0% (H1 2025: 25.0%, 2025: 25.0%) principally due to non-recognition of current year tax losses in the UK and USA.

10. LOSS PER SHARE

(All figures £'000s)	6 months to 30 June 2026 Unaudited	6 months to 30 June 2025 Unaudited	12 months to 31 Dec 2025 Audited
Loss attributable to ordinary shareholders	(12,910)	(17,870)	(36,695)
Adjustments to loss after tax (Note 8)	4,404	2,338	9,256
Adjusted loss attributable to ordinary shareholders	**(8,506)**	**(15,532)**	**(27,439)**
Number of shares:			
Weighted average number of ordinary shares	1,034,173,647	968,682,360	972,928,093
Potentially dilutive share options	16,308,730	9,961,212	14,929,308
Potentially dilutive convertible instruments	13,812,155	85,490,196	123,866,839
Potentially dilutive warrant instruments	81,600,279	-	-
	1,145,894,811	**1,064,133,768**	**1,111,724,240**
Basic loss per share	(1.25p)	(1.84p)	(3.77p)
Adjusted loss per share	(0.82p)	(1.60p)	(2.82p)
Diluted loss per share	(1.25p)	(1.84p)	(3.77p)
Adjusted diluted loss per share	(0.82p)	(1.60p)	(2.82p)

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

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

11. CASH GENERATED FROM OPERATIONS

(All figures £'000s)	6 months to 30 June 2026 Unaudited	6 months to 30 June 2025 Unaudited	12 months to 31 Dec 2025 Audited
Loss before tax	(12,574)	(18,332)	(37,034)
Finance income	(211)	(117)	(294)
Finance costs	4,640	3,163	7,269
Depreciation of property, plant and equipment	6,844	8,223	16,021
Impairment of property, plant and equipment	-	401	402
Depreciation of right-of-use assets	1,663	1,849	3,592
Impairment of right-of-use assets	-	245	245
Amortisation of intangible assets	1,282	2,492	4,588
Impairment of intangible assets	-	6,968	9,586
Inventory provision write downs	1,215	174	(59)
Non-cash movement on trade receivable expected credit losses	89	65	(8)
Impairment of contract assets	-	-	795
Non-cash provision movements	97	702	610
(Profit)/loss on disposal of property, plant and equipment	(12)	-	800
Gain on disposal of foreign operations	-	(8,167)	(8,167)
Share based payments	2,189	1,381	3,575
Cash inflow/(outflow) from operations before changes in working capital	**5,222**	**(953)**	**1,921**
(Increase)/decrease in inventories	(2,285)	(201)	648
(Increase)/decrease in trade and other receivables	(5,133)	6,531	6,949
Increase/(decrease) in trade and other payables	3,658	(994)	(976)
Decrease in provisions	(267)	(775)	(472)
Cash inflow from operations	**1,195**	**3,608**	**8,070**

12. ANALYSIS OF NET DEBT

(All figures £'000s)	6 months to 30 June 2026 Unaudited	6 months to 30 June 2025 Unaudited	12 months to 31 Dec 2025 Audited
Bank borrowings due after one year	-	(22,285)	-
Bank borrowings due within one year	-	-	(26,816)
Convertible loan notes due after one year	(11,411)	-	-
Convertible loan notes due within one year	-	(18,243)	(20,321)
Lease liabilities due after one year	(37,065)	(41,756)	(39,862)
Lease liabilities due within one year	(5,463)	(4,541)	(4,691)
Total borrowings	(53,939)	(86,825)	(91,690)
Cash and cash equivalents	41,596	16,990	15,653
Net debt	**(12,343)**	**(69,835)**	**(76,037)**

Cash and cash equivalents comprise balances held in instant access bank accounts, other short-term deposits with a maturity of less than 3 months and include restricted cash balances of £3,655,000 (H1 2025: £nil, 2025: £nil).

Bank borrowings – HSBC Revolving credit facility

On 17 May 2023, the Company refinanced its £25,200,000 ($35,000,000) multi-currency revolving credit facility, provided by HSBC Bank plc. The facility was secured on the assets of IQE plc and its subsidiary companies with a committed term to 1 September 2026. Interest on the facility was payable at a margin of between 2.50 and 3.50% per annum over SONIA on any drawn balances and the facility was subject to quarterly leverage and interest cover covenant tests up until 10 March 2025 when the Group negotiated a Deed of Amendment and Restatement to the facility which replaced the leverage and interest cover financial covenants with minimum adjusted EBITDA and minimum liquidity covenants. The facility was fully repaid as part of the Group's Fundraise transaction completed during the period (Note 14).

The Group has complied with all its financial covenants in the period ended 30 June 2026. In the prior period the Group obtained formal waiver of its 30 September 2025 and 31 December 2025 minimum adjusted EBITDA covenant test from HSBC Bank plc. The Group complied with all financial covenants of its borrowing facilities during 2025.

Convertible loan notes

a) 2025 Convertible loan notes ('2025 CLNs')

On 13 March 2025, the Group issued £21,176,000 of convertible loan notes with a one-year maturity. The notes were issued at a 15% discount, generating gross subscription proceeds of £18,000,000. The Group had the option to extend the maturity date by a further six months by written notice, which was exercised on 18 February 2026. Following the exercise of this option, the redemption terms were amended such that the notes became redeemable at par plus a 9% redemption premium. The notes were convertible into ordinary shares of IQE plc at the holder's option at any time prior to maturity at a conversion price of 15 pence per share. If not converted, the notes would be redeemed at maturity in accordance with the applicable redemption terms. The notes were subsequently redeemed as part of the Group's Fundraise transaction completed during the period (Note 14).

b) 2026 Convertible loan notes ('2026 CLNs')

On 28 May 2026, the Group issued £15,000,000 of secured zero-coupon convertible loan notes with a maturity date of 28 May 2031. Gross subscription monies received totalled £15,000,000. The notes were issued to MACOM Technology Solutions Holdings, Inc. as part of the Group's Fundraise transaction completed during the period (Note 14).

The convertible loan notes do not bear contractual interest. The notes have a five-year term and mature on 28 May 2031. They are convertible into ordinary shares of IQE plc at the holder's option at a fixed conversion price of 19.8 pence per share during specified conversion periods following the issue of a redemption notice by either the Company or the noteholder. A redemption notice can be issued following change in control, sale of 50% or more of the company's assets or an IPO. Unless converted or redeemed earlier, the principal is repayable in three instalments comprising 33.33% on 28 May 2029, 33.33% on 28 May 2030 and the remaining balance on 28 May 2031. The Company also has the option to redeem the notes from 28 May 2028.

Warrants were issued alongside the notes, entitling the holder to subscribe for ordinary shares at an exercise price of 19.8 pence per share until 28 May 2031. The warrants expire at the earlier of conversion, repayment of principal in accordance with the contractual repayment schedule, or final maturity of the underlying 2026 Convertible Loan Notes.

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 determined using a market interest rate of 7.0% for an equivalent secured instrument without conversion rights or attached warrants. The gross residual value of £3,541,000 was allocated to equity and represents the value attributable to the equity-classified conversion feature and associated warrants.

The liability component is subsequently measured at amortised cost using the effective interest method. Although the instrument is non-interest bearing, finance costs are recognised through the unwinding of the discount over the term of the instrument.

Transaction costs directly attributable to the issuance of the instrument were allocated between the liability and equity components on a pro-rata basis and accounted for consistently with the initial allocation of proceeds.

13. SHARE BASED PAYMENT ARRANGEMENTS

Long term incentive awards

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

On 24 June 2026 long term incentive awards that are subject to continued employment were awarded to employees of the Group. Under the terms of these awards, holders of vested options are entitled to purchase shares at the nominal value of the shares at the date of grant. All options are to be settled by physical delivery of shares. The terms and conditions of the share options granted during the six months ended 30 June 2026 are as follows:

Grant date/employees entitled	Number of instruments	Contractual life of options	Vesting conditions
Option grant to employees on 24 June 2026	5,300,788	1-10 years	1-3 years of service from grant date

Measurement of grant date fair values

The fair value of the long-term incentive awards, calculated as £2,707,000 (H1 2025: £3,074,000, 2025: £3,232,000) at the grant date has been determined using the Black-Scholes model. The following inputs were used in the measurement of the fair values at grant date.

Principal assumptions	6 months to 30 June 2026 Unaudited	6 months to 30 June 2025 Unaudited	12 months to 31 Dec 2025 Audited
Weighted average share price at grant date	19.63p	16.80p	15.90p
Weighted average exercise price	1.55p	1.57p	1.45p
Weighted average vesting period (years)	2	2	2
Option life (years)	10	10	10
Weighted average expected life (years)	2	2	2
Weighted average expected volatility factor	69%	66%	66%
Weighted average risk-free rate	3.9%	4.0%	4.0%
Dividend yield	0%	0%	0%

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

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

14. SHARE CAPITAL

Number of shares	6 months to 30 June 2026 Unaudited	6 months to 30 June 2025 Unaudited	12 months to 31 Dec 2025 Audited
As at 1 January	978,263,616	967,251,117	967,251,117
Employee share schemes	14,041,112	9,279,407	11,012,499
Equity fundraise	332,183,678	-	-
Warrant exercises	6,548,545	-	-
As at 30 June / 31 December	**1,331,036,951**	**976,530,524**	**978,263,616**

(All figures £'000s)	6 months to 30 June 2026 Unaudited	6 months to 30 June 2025 Unaudited	12 months to 31 Dec 2025 Audited
As at 1 January	9,783	9,672	9,672
Employee share schemes	140	93	111
Equity fundraise	3,322	-	-
Warrant exercises	65	-	-
As at 30 June / 31 December	**13,310**	**9,765**	**9,783**

2026 Fundraise

On 28 May 2026, the Group completed a fundraising (the "Fundraising"), raising gross proceeds of approximately £80,772,000. The transaction formed part of the conclusion of the Group's Strategic Review and was undertaken to strengthen the Group's liquidity position, facilitate the repayment of the existing HSBC revolving credit facility, redeem the Group's existing convertible loan notes, and provide additional working capital to support the execution of the Group's strategic objectives.

The Fundraising comprised four principal elements:

- a £30,000,000 strategic equity investment by MACOM Technology Solutions Holdings, Inc. ("MACOM");
- a £13,000,000 institutional placing and retail offer;
- the redemption of the Group's existing convertible loan notes ("2025 CLNs") and the reinvestment of £22,772,000 of the redemption proceeds in new ordinary shares; and
- the issue of £15,000,000 new secured zero-coupon convertible loan notes ("2026 CLNs") to MACOM.

Equity fundraising

The equity fundraising generated gross proceeds of £65,772,000 through the issue of 332,183,678 new ordinary shares at a subscription price of 19.8 pence per share. This comprised 151,515,152 shares issued to MACOM, 115,011,960 shares issued as part of the reinvestment of proceeds arising from the redemption of the 2025 Convertible Loan Notes, 55,555,555 placing shares and 10,101,011 retail offer shares. The resulting proceeds were recognised within share capital and share premium, with transaction costs directly attributable to the share issue deducted from equity, net of any related tax effects, in accordance with IAS 32.

Redemption of 2025 convertible loan notes

The 2025 CLNs were redeemed on completion of the Fundraise. £22,772,000 of the redemption proceeds were subsequently reinvested by noteholders in new ordinary shares, with the remaining balance settled in cash.

2026 convertible loan notes

The 2026 convertible loan notes issued to MACOM have been accounted for as a compound financial instrument under IAS 32. The 2026 convertible loan notes were issued together with Warrant Instruments granting MACOM the right, in certain circumstances, to subscribe for additional ordinary shares at an exercise price of 19.8 pence per share during the term of the instrument. The warrants expire at the earlier of conversion, repayment of principal in accordance with the contractual repayment schedule, or final maturity of the underlying 2026 Convertible Loan Notes.

On initial recognition, the instrument was separated into a liability component of £11,459,000 and an equity component of £3,541,000 (note 4). The equity component includes the value attributed to both the holder's conversion rights and the associated warrants. The liability component is subsequently measured at amortised cost using the effective interest method, while the equity component is recognised within equity and is not subsequently remeasured.

15. RELATED PARTY TRANSACTIONS

Key management personnel

During the period, certain members of key management personnel held 2025 Convertible Loan Notes. On completion of the Group's Fundraise in May 2026, the notes were redeemed in accordance with their contractual terms. Redemption proceeds of £423,000 received by key management personnel were reinvested in ordinary shares issued as part of the Fundraise on terms consistent with those available to other participating investors. In addition, key management personnel exercised warrants attached to the 2025 Convertible Loan Notes, generating proceeds of £115,000, and received cash bonuses of £565,000 in recognition of the completion of the Fundraise.

MACOM Technology Solutions Holdings, Inc.

During the period, the Group completed a Fundraise involving MACOM Technology Solutions Holdings, Inc., which became a related party of the Group following completion of the transaction in May 2026. Transactions with MACOM comprised a £30,000,000 subscription for ordinary shares, a £15,000,000 subscription for secured zero-coupon convertible loan notes, the issue of associated warrants and sales of compound semiconductor materials of £2,165,000 in the period following completion of the Fundraise. Further details of the equity subscription are provided in Note 14, while details of the convertible loan notes and warrants are included in Note 12.

At 30 June 2026, amounts outstanding with MACOM comprised convertible loan notes with a carrying value of £11,411,000 and trade receivables of £1,195,000.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK;
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Jutta Meier

Chief Executive Officer / Chief Financial Officer,
IQE plc.

7 September 2026