

IQE plc

Cardiff, UK
13 May 2025

Full Year 2024 Results

- Improved year-on-year profitability in line with expectations
- Jutta Meier appointed CEO

IQE plc (AIM: IQE, "IQE" or the "Group"), the leading global supplier of compound semiconductor wafer products and advanced material solutions, today announces its results for the full year ended 31 December 2024.

FY 2024 Financial Summary:

	FY 2024 £'m	FY 2023 £'m	Change (%)
Revenue	118.0	115.3	2.4
Adjusted EBITDA ¹	8.1	4.3	88.1
Adjusted loss before tax	(22.3)	(23.2)	
Reported loss before tax	(36.9)	(28.8)	
Adjusted net cashflow from operations	6.1	15.7	
Reported net cashflow from operations	1.3	10.1	
Cash capital expenditure ²	11.4	12.2	
Adjusted net debt ³	(18.8)	(2.2)	
Cash and cash equivalents	4.7	5.6	
Reported Diluted EPS	(3.96p)	(3.28p)	
Adjusted Diluted EPS	(2.46p)	(2.68p)	

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 4 in the financial statements section.

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

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

Jutta Meier, Chief Executive Officer and Chief Financial Officer of IQE, commented:

"IQE delivered a solid set of financials in line with our January 2025 trading update. Our focus has been on reducing costs and optimising our footprint, and I am pleased to see this has resulted in an improved adjusted EBITDA position year-on-year."

"The Strategic Review remains ongoing and we have been encouraged by progress so far despite a challenging macro environment. IQE has a strong foundation from which to unlock value for all of our stakeholders and with a diverse customer pipeline, the continued end-market demand for our technology gives us confidence for the future. I am also delighted to be appointed as CEO as we continue to deliver on the positive progress we have made."

FY 2024 Financial Highlights:

- **Revenue** for FY 2024 was broadly flat at £118.0m (FY 2023: £115.3m).
 - **Wireless revenue** of £67.3m (FY 2023: £53.9m) increased 25% year-on-year reflecting an increase in wireless GaAs sales linked to a higher penetration of Asian markets and an increase in GaN sales for 5G infrastructure.
 - **Photonics revenue** of £49.9m (FY 2023: £59.1m) decreased 16% year-on-year primarily because of softness in 3D Sensing and telecoms infrastructure markets, partially offset by a strong performance in Aerospace and Security markets for infrared-related products.
 - **CMOS++ revenue** of £0.8m (FY 2023: £2.3m) was down 62% on a reported basis which reflects a strategic rebalancing of the business' product portfolio and a shift in focus towards diversification into GaN Power and MicroLED. In FY 2025 IQE will no longer reporting CMOS++ revenue as a standalone segment.
- **Adjusted EBITDA** of £8.1m (FY 2023: £4.3m), an increase of 88% year-on-year primarily reflects the annualised impact of prior year cost mitigation actions and the implementation of additional cost management in the current year.
- **Adjusted EBITDA margin** of 7% (FY 2023: 4%) reflects the impact of actions to reduce costs and align capacity with customer volumes alongside consolidation of our manufacturing sites.
- **Reported operating loss** of £33.0m (FY 2023: £25.8m) impacted by non-cash asset impairments of £3.1m related to the Group's US Wireless assets and restructuring costs of £7.6m, including non-cash intangible and tangible asset impairments of £5.4m related to the consolidation of the Group's manufacturing operations.
- **Reported net cashflow from operations** of £1.3m (FY 2023: £10.1m) decreased in the year, reflecting inventory build to support 2025 deliveries.
- **Cash capital expenditure** (PP&E) of £11.4m (FY 2023: £12.2m) to support the Group's strategic GaN diversification and growth strategy.
- **Adjusted net debt** of £18.8m as at 31 December 2024 (FY 2023: net debt of £2.2m) with an undrawn balance of \$5.5m (£4.4m) on the Group's Revolving Credit Facility.
- **Convertible loan note financing** of £18.0m (gross proceeds) completed in March 2025 to strengthen IQE's near-term financial position.
- **Cash and cash equivalents** of £20.6m as at 31 March 2025 following receipt of CLN proceeds.
- **Cost control and cash generation**
 - Restructuring of the Group's Executive Leadership Team
 - Headcount restructuring resulting in over 10% total reduction
 - Adjusted SG&A reductions of 8% focused on discretionary non-labour expenses

and headcount reductions.

- Asset optimisation, including consolidation of capacity, restructuring of manufacturing shift patterns and the sale of excess tools resulting from site consolidation
- **Global site optimisation programme**
 - Completion of the consolidation of Pennsylvania MBE operations into North Carolina site with customer qualifications complete and production ramped
 - Sale of the Pennsylvania manufacturing site completed in December 2024 for \$5.5m (£4.4m)
 - Strategic repositioning of the Massachusetts and North Carolina sites
 - Commencement of the consolidation of the Group's South Wales activities into its Newport manufacturing site

Business update:

- **Connect**
 - Launched Quantum Dot Laser foundry service for high-efficiency optical communications in data centres with opportunity to take significant market share from incumbent laser technologies.
 - Expansion of GaN RF Aerospace & Security business serving fast-growing end-market, including satellite internet constellation platforms (Low Earth Orbit Satellites – LEOS).
 - Qualification of high-performance HBTs for power amplifiers in next-generation 5G smartphones, underpinned by growing customer demand for HBT portfolio serving Wi-Fi7 markets.
- **Sense**
 - Development of InP and GaSb laser and detector technologies with leading consumer OEM for healthcare sensing applications.
 - Strong progress with qualification of second-generation 3D Sensing VCSEL for mobile handset and tablet platforms.
 - Secured long term agreements with two leading Infrared sensing customers supported by largest purchase orders to date.
- **Power**
 - Joint Development Agreement with X-FAB to create a Europe-based GaN Power device platform solution for automotive, data centres and consumer applications.
 - First commercial orders received with 650V HEMT automotive qualifications and GaN Power capacity under qualification for delivery into IDM foundry partners.
- **Display**
 - Launch of 8" GaN-on-Si microLED foundry service with in-house wafer cleaning, compatible with advanced Silicon CMOS manufacturing.

- Partnership extension with annual purchase order commitment from leading AR smart glasses designer for GaN based microLED displays.
- Expansion of microLED customer pipeline with new qualification orders secured, served by increasing UK and US capacity for GaN product development.

Update on Strategic Review:

As previously announced, the Group is currently conducting a comprehensive Strategic Review of its asset base to ensure a strong capital position to further invest in core operations. As part of the Strategic Review, IQE is prioritising the possibility of a full sale of IQE Taiwan, alongside a potential IPO. The Board is leading the Strategic Review and continues to be advised by Lazard. While there can be no certainty as to the outcome of the Strategic Review, the Board is currently evaluating a range of proposals and will provide a further update when appropriate.

Board update:

The Board is pleased to announce that Jutta Meier will immediately become IQE's Chief Executive Officer following her successful period as Interim CEO. Jutta will continue in her dual role as CEO and CFO. Female representation on IQE's Board now stands at an above average 57%.

Mark Cubitt will continue to act as Executive Chair, providing support to Jutta and the Executive Leadership Team through the ongoing Strategic Review. The composition of the Board will be re-evaluated following the conclusion of the Strategic Review.

Jutta and Mark received salary/fee adjustments from 1 May 2025 to reflect their increased responsibilities and workloads. With the Board's agreement and effective from 1 July until 31 December 2025, both have opted for their pay adjustments to be received as share options under the Group's existing share option scheme. The options will vest monthly but will not be exercisable until the start of 2026, and the number of share options granted will be uplifted to take account of exercise costs and, for Jutta only, her lost employer's pension contributions. Other members of the Executive Leadership Team have also opted for their pay to be received in share options under the same conditions.

Mark Cubitt, Executive Chair of IQE, commented:

"I would like to recognise Jutta's success as CEO of IQE since she took on the interim role over six months ago. The Board felt she was an excellent candidate and in that time she has stabilised and refocused the business and rebuilt confidence with both customers and employees. I am pleased to continue to work alongside her as IQE's Executive Chair to deliver on our strategy, and I remain encouraged by the progress of our Strategic Review and its potential to unlock the untapped value within the Group."

Current trading and outlook:

Global markets are being impacted by macroeconomic uncertainty and as a result, some end customer demand is being fulfilled with existing inventory. This was visible in Q1 trading but is expected to correct in H2 2025. Costs and capacity continue to be optimised to improve margins and cashflow.

IQE's customer pipeline remains strong and is predicted to grow in H2 2025, driven by new product and customer engagements. Additionally, existing segments including Aerospace and Security and optical communications are also expected to deliver growth, offsetting anticipated softness in wireless segments resulting from challenged consumer markets, particularly in Asia.

There is currently no direct impact to IQE from the implementation of US tariffs, however developments are being closely monitored and options are being explored with both suppliers and customers to mitigate any potential risk.

Revenue and adjusted EBITDA for the full year are expected to be within the range of analyst forecasts for FY 2025¹, with weighting towards H2 consistent with the destocking seen in Q1 and typical industry seasonality. These forecasts assume the inclusion of IQE Taiwan revenues pending the outcome of the Strategic Review.

1. The analyst range of expectations for FY 2025 revenue are from £115.1m to £123.0m and for adjusted EBITDA from £7.4m to £10.0m.

Results Presentation:

IQE will present its FY 2024 Results via webcast at **10:00am** today, Tuesday 13 May 2025. If you would like to view this webcast, please register by using the below link and following the instructions:

https://brrmedia.news/IQE_FY_24

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GLOSSARY

GaN – Gallium Nitride

GaSb – Gallium Antimonide

InP – Indium Phosphide

ABOUT IQE

<http://iqep.com>

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

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

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

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

Financial Review

Financial Statements

Financial Summary

	2024 £'000	2023 £'000
Revenue	118,034	115,252
Adjusted EBITDA (see below)	8,112	4,313
Operating loss		
• Adjusted*	(18,357)	(20,199)
• Reported	(32,958)	(25,779)
Loss after tax		
• Adjusted*	(23,734)	(23,990)
• Reported	(38,178)	(29,378)
Net cash flow from operations		
Adjusted*	6,087	15,744
Reported	1,282	10,074
Free cash flow**		
Before adjusted* cash flows	(4,948)	(3,128)
Reported	(9,753)	(8,798)
Adjusted net debt***	(18,800)	(2,228)
Equity shareholders' funds	134,110	169,785
Basic EPS – adjusted****	(2.46p)	(2.68p)
Basic EPS – unadjusted	(3.96p)	(3.28p)
Diluted EPS – adjusted****	(2.46p)	(2.68p)
Diluted EPS – unadjusted	(3.96p)	(3.28p)

* The adjusted performance measures for 2024 and 2023 are reconciled in note 4.

** Free cash flow is defined as net cash outflow of £910,000 (2023: £5,409,000) before cash inflows from financing activities of £12,160,000 (2023: £6,631,000) and net interest paid of £3,317,000 (2023: £3,242,000).

*** 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 5).

Consolidated income statement for the year ended 31 December 2024

	2024 £'000	2023 £'000
Revenue	118,034	115,252
Cost of sales	(113,588)	(112,924)
Gross profit	4,446	2,328
Selling, general and administrative expenses	(29,982)	(32,486)
Impairment loss on intangible assets	(3,772)	–
Impairment loss on property, plant and equipment	(4,615)	–
Impairment loss on right-of-use asset	(31)	–
Gain on remeasurement of right-of-use asset	202	–
Impairment (loss)/reversal on trade receivables and contract assets	(3)	1,808
Gain on acquisition of remaining interest in CSC	–	2,419
Profit on disposal of intangible assets and property, plant and equipment	797	152
Operating loss	(32,958)	(25,779)
Finance costs	(3,947)	(3,032)
Adjusted loss before income tax	(22,304)	(23,231)
Adjustments	(14,601)	(5,580)
Loss before income tax	(36,905)	(28,811)
Taxation	(1,273)	(567)
Loss for the year	(38,178)	(29,378)
Loss attributable to:		
Equity shareholders	(38,178)	(29,378)
	(38,178)	(29,378)
Loss per share attributable to owners of the parent during the year		
Basic loss per share	(3.96p)	(3.28p)
Diluted loss per share	(3.96p)	(3.28p)

Adjusted basic and diluted loss per share are presented in note 5.

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

Consolidated statement of comprehensive income for the year ended 31 December 2024

	2024 £'000	2023 £'000
Loss for the year	(38,178)	(29,378)
Exchange differences on translation of foreign operations*	(826)	(8,088)
Total comprehensive expense for the year	(39,004)	(37,466)
Total comprehensive expense attributable to:		
Equity shareholders	(39,004)	(37,466)
	(39,004)	(37,466)

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

Items in the statement above are disclosed net of tax.

Consolidated balance sheet as at 31 December 2024

	2024 £'000	2023 £'000
Non-current assets		
Intangible assets	28,950	35,378
Property, plant and equipment	113,674	129,553
Right-of-use assets	42,210	37,895
Deferred tax assets	—	—
Total non-current assets	184,834	202,826
Current assets		
Inventories	20,009	24,577
Trade and other receivables	37,424	38,220
Cash and cash equivalents	4,660	5,617
Assets held for resale	120	2,274
Total current assets	62,213	70,688
Total assets	247,047	273,514
Current liabilities		
Trade and other payables	(34,405)	(42,572)
Current tax liabilities	(428)	(531)
Bank borrowings	—	(4,153)
Lease liabilities	(5,658)	(5,865)
Provisions for other liabilities and charges	(774)	(2,998)
Total current liabilities	(41,265)	(56,119)
Non-current liabilities		
Trade and other payables	(2,035)	(2,208)
Bank borrowings	(23,460)	(3,692)
Lease liabilities	(44,872)	(40,435)
Deferred tax liabilities	(774)	(604)
Provisions for other liabilities and charges	(531)	(671)
Total non-current liabilities	(71,672)	(47,610)
Total liabilities	(112,937)	(103,729)
Net assets	134,110	169,785
Equity attributable to the shareholders of the parent		
Share capital	9,672	9,615
Share premium	155,972	155,844
Retained earnings	(85,644)	(47,466)
Exchange rate reserve	31,621	32,447
Other reserves	22,489	19,345
Total equity	134,110	169,785

Consolidated statement of changes in equity for the year ended 31 December 2024

	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

	Share capital £'000	Share premium £'000	Retained earnings / (losses) £'000	Exchange Rate reserve £'000	Other reserves £'000	Total equity £'000
At 1 January 2023	8,048	154,720	(45,246)	40,535	17,003	175,060
Comprehensive expense						
Loss for the year	—	—	(29,378)	—	—	(29,378)
Other comprehensive expense for the year	—	—	—	(8,088)	—	(8,088)
Total comprehensive expense for the year	—	—	(29,378)	(8,088)	—	(37,466)
Transactions with owners						
Share-based payments	—	—	—	—	2,484	2,484
Tax relating to share options	—	—	—	—	(142)	(142)
Proceeds/(charge) from shares issued	1,567	1,124	(1,342)	—	28,500	29,849
Transfer of merger reserve to retained earnings	—	—	28,500	—	(28,500)	—
Total transactions with owners	1,567	1,124	27,158	—	2,342	32,191
At 31 December 2023	9,615	155,844	(47,466)	32,447	19,345	169,785

Other reserves relate to share-based payments.

Consolidated cash flow statement for the year ended 31 December 2024

	2024 £'000	2023 £'000
Cash flows from operating activities		
Adjusted cash inflow from operations	6,087	15,744
Cash impact of adjustments	(4,805)	(5,670)
Cash generated from operations	1,282	10,074
Interest paid	(3,317)	(3,242)
Income tax paid	(841)	(912)
Net cash generated from operating activities	(2,876)	5,920
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,359)	(12,158)
Purchase of intangible assets	(1,609)	(3,113)
Capitalised development expenditure	(1,877)	(2,852)
Proceeds from disposal of property, plant and equipment and intangible assets	4,906	553
Acquisition of subsidiary, net of cash received*	(255)	(390)
Adjusted cash used in investing activities	(15,022)	(17,960)
Cash impact of adjustments – proceeds from disposal of property, plant and equipment	4,828	–
Net cash used in investing activities	(10,194)	(17,960)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	185	31,239
Expenses associated with issue of ordinary shares	–	(1,390)
Proceeds from borrowings	19,493	9,932
Repayment of borrowings	(4,048)	(28,363)
Payment of lease liabilities	(3,470)	(4,787)
Net cash generated from financing activities	12,160	6,631
Net decrease in cash and cash equivalents	(910)	(5,409)
Cash and cash equivalents at 1 January	5,617	11,620
Exchange losses on cash and cash equivalents	(47)	(594)
Cash and cash equivalents at 31 December	4,660	5,617

*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. 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 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.

2.2 Going concern

The Group has continued to experience weaker customer demand and lower customer orders than originally anticipated following the global semiconductor industry downturn as market recovery has been slower than expected in key sectors, driven primarily by the uncertainty in consumer demand in end markets.

The continuation of weaker customer demand than anticipated, resulting in sales that have remained broadly flat year-on-year, has presented a significant challenge to the business which, as previously announced, led the Directors to commence a Strategic Review of the Group and to take immediate actions to raise the necessary short-term finance to strengthen the Group's liquidity position.

The actions taken by the Directors, and previously announced, include:

- The implementation of cost-cutting actions, including staff redundancies, operational efficiencies and reductions in areas of discretionary expenditure which are under the control of the Directors
- The formal waiver, obtained pre-year end, from HSBC Bank plc of the Group's 31 December 2024 leverage and interest cover covenant tests applicable to the Group's £28,000,000 (\$35,000,000) multi-currency revolving credit facility ('RCF')
- The successful £18,000,000 convertible loan note ('CLN') fund raise completed on 13 March 2025 to provide the Group with additional short-term liquidity whilst the Board completes its Strategic Review. The CLN has an initial term of 12 months, the Group has an option to extend for a further six months, bringing the term to 13 September 2026
- The successful negotiation of a Deed of Amendment and Restatement with HSBC Bank plc to the Group's £28,000,000 (\$35,000,000) RCF on 10 March 2025 that replaces the leverage and interest cover financial covenants with minimum EBITDA and minimum liquidity financial covenants for the remaining tenor of the facility to 1 May 2026

We are also pleased that as of 12 May 2025, the Group has received a four-month extension of its RCF to 1 September 2026 from HSBC, a reflection of the longstanding and supportive relationship with the lender.

In the twelve months to 31 December 2024, reported revenue has remained subdued at £118,034,000 and the Group made a loss after tax for the year of £38,178,000. The liquidity impact of the loss, combined with capital and technology development expenditure, property lease payments and debt service costs has resulted in an increase in the Group's adjusted net debt position (net debt excluding lease liabilities and fair value gains/losses on derivative instruments) to £18,800,000 (2023: £2,228,000). At 31 December 2024, the Group had undrawn committed funding of £4,400,000 (\$5,500,000) available under the terms of its multi-currency revolving credit facility.

In assessing the going concern basis of preparation, the Directors have considered the period to 30 September 2026 ('the going concern assessment period') to align with the expiry of the extended RCF and extended term date of the CLN.

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

Base Case

The base case is derived from Group's Board-approved 2025 budget, latest H12026 forecast and run rate to 30 September 2026, updated for actual results to 31 March 2025. The base case incorporates a modest expected improvement in market dynamics and the impact of cost cutting actions already implemented by the Board.

The base case was prepared with the following key assumptions:

- Revenue for 2025 is forecast to return to modest mid-single digit percentage year-on-year growth with sequential mid-single digit percentage half-on-half growth forecast in H12026
- GBP to USD FX rate of 1.32 adopted for the forecast cash flows throughout the going concern period
- Direct wafer product margins for 2025 and H12026 reflect operating efficiency improvements linked to a combination of restructuring actions that have been implemented in 2024 and increased capacity utilisation

- Labour inflation in 2025 and H12026 in line with labour market norms and non-labour cost inflation in 2025 and H12026 in line with the current inflationary environment
- Low double digit £'m of capital expenditure in 2025 which includes investment in committed Gallium Nitride (GaN) related manufacturing capacity, enabling diversification into the high-growth power electronics and advanced display (uLED) markets and low single digit £'m of capital expenditure in H12026 related to operational sustainability and maintenance capital expenditure

Severe but plausible downside

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

- Revenue is assumed 7% down on the base case for 2025 and 20% down for H12026 reflecting a broadly flat year on-year outlook resulting from a combination of continued weakness in customer demand, further delays in 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 2025 and H12026
- The application of mitigations in the form of reductions in certain non-manufacturing related discretionary expenditure and deferred investment in technology asset development over and above those reflected in the base case. These cost savings and cash management actions have already been identified, are in the control of management and can be swiftly implemented

In both the base and severe but plausible downside case, the Group is forecast to maintain liquidity headroom and to comply with its minimum EBITDA and minimum liquidity covenants up to the date of expiry of the RCF on 1 September 2026 or redemption of the CLN on 13 September 2026.

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

Whilst the Directors are confident that the divestment of IQE Taiwan is progressing as planned and will realise sufficient cash, they acknowledge that a delayed outcome of the potential sale or IPO of the non-core asset could impact the availability of sufficient funding for the Group's needs beyond the maturity of its existing facilities.

The Directors have concluded that the successful completion of the planned sale of non-core assets and/or availability of sufficient, appropriate funding for the group's needs beyond the maturity of existing facilities represents a material uncertainty related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern and, therefore, that the group and company may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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 2024:

- Amendment to IAS 1 'Presentation of Financial Statements' on classification of liabilities which is intended to clarify that liabilities are classified as either current or non-current depending upon the rights that exist at the end of the reporting period. The amendment also requires disclosure of information relating to the risks associated with non-current liabilities that are subject to future covenants that the liability could become repayable within 12 months.
- Amendment to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' related to the disclosure and transparency of supplier finance arrangements.
- Amendment to IAS 12 'Income taxes' which provides temporary mandatory relief from deferred tax accounting for top up tax and disclosure of new information to compensate for the potential loss of information arising from the mandatory relief.
- Amendment to IFRS 16 'Leases' which confirms the initial and subsequent recognition principles for variable lease payments as a liability in a sale and leaseback transaction.

The adoption of these standards, amendments and interpretations 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

A number of new standards, amendments to standards and interpretations which are set out below are effective for annual periods beginning after 1 January 2025 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 S1 'General Requirements for Disclosure of Sustainability related Financial Information' and IFRS S2 'Climate related Disclosures'
- 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.

- 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.
- 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 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.

3. Segmental analysis

3.1 Description of segments and principal activities

The Chief Operating Decision-Maker is defined as the Executive Leadership Team ('ELT'). The ELT, prior to the departure of the Chief Executive Officer on 29 October 2024 consisted of the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief People Officer, Executive VP Global Business Development, SVP of Communications Infrastructure and Security Business Unit, VP US Sales, Director of Corporate Marketing, VP US EPI Operations and Substrates, VP Asia and Europe EPI Operations, VP Government Affairs, Chief of Staff and the Executive VP General Counsel & Company Secretary. Subsequent to the departure of the Chief Executive Officer, the ELT has been restructured and from November 2024 the ELT consists of the Interim 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 Executive Leadership Team 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 manufactures and sells advanced semiconductor materials related to silicon which include the combination of the advanced properties of compound semiconductors with those of lower-cost silicon technologies. Starting in 2025, the Group will no longer report CMOS++ revenue as a standalone segment reflecting the strategic rebalancing of the business' product portfolio and a shift in focus towards diversification into GaN Power and MicroLED.

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.

3.2 Adjusted EBITDA Loss

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.

	2024 £'000	2023 £'000
Revenue		
Wireless	67,295	53,877
Photonics	49,876	59,098
CMOS++	863	2,277
Revenue	118,034	115,252
Adjusted EBITDA		
Wireless	16,205	12,347
Photonics	5,840	6,189
CMOS++	(1,517)	(1,919)
Central corporate costs	(12,416)	(12,304)
Adjusted EBITDA	8,112	4,313
Depreciation	(20,343)	(16,976)
Amortisation	(6,390)	(7,688)
Gain on remeasurement	202	-
Profit on disposal of PPE	62	152
Adjusted operating loss	(18,357)	(20,199)
Adjusted items (see note 4)		
Wireless	(7,441)	(1,004)
Photonics	(5,974)	(2,445)
CMOS++	(669)	(45)
Central corporate costs	(517)	(2,086)
Operating loss	(32,958)	(25,779)
Finance costs	(3,947)	(3,032)
Loss before tax	(36,905)	(28,811)

Adjusted items include £8,418,000 (2023: £nil) of non-cash impairment charges of which £5,159,000 (2023: £nil) relates to the wireless segment and £3,259,000 (2023: £nil) relates to the photonics segment.

4. 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	2024 Reported Results £'000	Adjusted Results £'000	Adjusted Items £'000	2023 Reported Results £'000
Revenue	118,034	–	118,034	115,252	–	115,252
Cost of sales	(112,543)	(1,045)	(113,588)	(111,244)	(1,680)	(112,924)
Gross profit/(loss)	5,491	(1,045)	4,446	4,008	(1,680)	2,328
SG&A	(24,109)	(5,873)	(29,982)	(26,167)	(6,319)	(32,486)
Impairment of intangibles	–	(3,772)	(3,772)	–	–	–
Impairment of PPE	–	(4,615)	(4,615)	–	–	–
Impairment of right-of-use assets	–	(31)	(31)	–	–	–
Gain on remeasurement of right-of-use asset	202	–	202	–	–	–
Impairment (loss)/reversal on receivables	(3)	–	(3)	1,808	–	1,808
Gains on acquisitions	–	–	–	–	2,419	2,419
Profit on disposal of PPE	62	735	797	152	–	152
EBITDA	8,112	(6,918)	1,194	4,313	(5,580)	1,267
Depreciation	(20,343)	–	(20,343)	(16,976)	–	(16,976)
Amortisation	(6,390)	–	(6,390)	(7,688)	–	(7,688)
Impairment of intangibles	–	(3,772)	(3,772)	–	–	–
Impairment of PPE	–	(4,615)	(4,615)	–	–	–
Impairment of right-of-use assets	–	(31)	(31)	–	–	–
Gain on remeasurement of right-of-use asset	202	–	202	–	–	–
Profit on disposal of PPE	62	735	797	152	–	152
Operating loss	(18,357)	(14,601)	(32,958)	(20,199)	(5,580)	(25,779)
Finance costs	(3,947)	–	(3,947)	(3,032)	–	(3,032)
Loss before tax	(22,304)	(14,601)	(36,905)	(23,231)	(5,580)	(28,811)
Taxation	(1,430)	157	(1,273)	(759)	192	(567)
Loss for the period	(23,734)	(14,444)	(38,178)	(23,990)	(5,388)	(29,378)
Loss per share attributable to owners of the parent company during the year						
Basic loss per share	(2.46p)	1.50p	(3.96p)	(2.68p)	0.60p	(3.28p)
Diluted loss per share	(2.46p)	1.50p	(3.96p)	(2.68p)	0.60p	(3.28p)

Adjustments to operating profit

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)

2023	Cost of sales £'000	SG&A £'000	Other Gains £'000	2023 Adjusted Pre-Tax Items £'000	Tax Impact £'000	2023 Adjusted Items £'000
Share-based payments	(1,680)	(840)	–	(2,520)	192	(2,328)
Share-based payments – CEO recruitment	–	(45)	–	(45)	–	(45)
CEO recruitment	–	(300)	–	(300)	–	(300)
CFO severance & recruitment	–	(454)	–	(454)	–	(454)
Restructuring	–	(4,680)	–	(4,680)	–	(4,680)
Gain on deemed disposal of JV	–	–	2,419	2,419	–	2,419
Total	(1,680)	(6,319)	2,419	(5,580)	192	(5,388)

The nature of the adjusted items is as follows:

Share-based payments

The £2,974,000 (2023: 2,520,000) charge relates to share-based payments recorded in accordance with IFRS 2 'Share-based payment'. Share-based payments which arise each financial year are classified as an APM due to the non-cash charge being partially outside of the Group's control as it is based on factors such as share price volatility and interest rates which may be unrelated to the performance of the Group during the period in which the expense occurred.

Chief Executive Officer recruitment

The charge of £77,000 (2023: £45,000) relates to the share-based payment charge for new starter awards granted to the former CEO upon recruitment. The charge of £307,000 (2023: £300,000) relates to costs associated with the cash element of the new starter award granted to the former CEO upon recruitment.

Chief Financial Officer recruitment

The charge of £123,000 (2023: £nil) relates to the share-based payment charge for new starter awards granted to the CFO. Chief Financial Officer severance and recruitment costs of £454,000 in 2023 related to settlement and legal costs in relation to the former Chief Financial Officer and recruitment costs in relation to the newly appointed Chief Financial Officer.

Chief Executive Officer Severance

The charge of £416,000 (2023: £nil) relates to costs, primarily related to payments in lieu of notice, associated with the termination of the former CEO's employment.

Wireless CGU impairment

An impairment was identified in the year relating to the Wireless CGU determined based on value in use calculations. The non-cash impairment loss of £3,066,000 relates to the Group's US related wireless assets and has been allocated to the relevant US based intangible and tangible assets which has 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.

Restructuring

The charge of £7,638,000 (2023: £4,680,000) relates to the consolidation of the Group's US, UK and Asian manufacturing operations and the restructuring of the Group's Executive Leadership Team.

Group Restructuring

- Group restructuring charges of £266,000 (2023: £nil) consist of employee-related costs of £266,000 (2023: £nil) related to the restructuring of the Group's Executive Leadership Team following the departure of the former CEO. Group restructuring charges of £1,290,000 in 2023 related to employee costs and redundancies associated with a group-wide restructuring programme.

US Restructuring

- US restructuring charges of £763,000 (2023: £3,390,000) relating to the closure of the Group's manufacturing facility in Pennsylvania consist of employee-related costs of £261,000 (2023: £1,789,000), site decommissioning costs of £1,014,000 (2023: £1,601,000), non-cash property, plant and equipment asset impairments of £89,000 (2023: £nil) and profit on disposal of property, plant and equipment of £632,000 (2023: £nil). As at 31 December 2024, cumulative restructuring charges of £6,164,000 (2023: £5,346,000) have been incurred. No further restructuring charges associated with the closure of the site are expected in 2025.
- US restructuring charges of £4,889,000 (2023: £nil) 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 £2,002,000 (2023: £nil) and non-cash intangible development cost impairments of £2,887,000 (2023: £nil).

UK Restructuring

- UK restructuring charges of £1,584,000 (2023: £nil) relating to the consolidation of the Group's South Wales activities into its Newport manufacturing site consist of employee-related costs of £447,000 (2023: £nil), site decommissioning costs of £897,000 (2023: £nil), non-cash property, plant and equipment asset impairments of £343,000 (2023: £nil) and profit on disposal of PPE of £103,000 (2023: £nil).

Asian Restructuring

- Taiwanese restructuring charges of £155,000 (2023: £nil) consist of legal and professional fees relating to the dual track IPO or sale of the Group's Taiwanese manufacturing operations.
- Singapore restructuring credit of £19,000 (2023: £nil) relates to certain final cash receipts linked to the voluntary liquidation of the Group's Singapore subsidiaries, where manufacturing operations ceased in June 2022.

Gain on deemed disposal of joint venture

Gain on acquisitions of £nil (2023: £2,419,000) relates to the gain recognised on acquisition of the remaining shares in the Group's joint venture, CSC, in 2023 increasing its shareholding to 100%.

Cash impact of adjusting items

The cash impact of adjusting items is set out below:

Cash Impact	Cash from operations £'000	Investing activities £'000	2024 Total £'000	Cash from operations £'000	Investing activities £'000	2023 Total £'000
Reported cash flows	2,472	(10,194)	(7,722)	10,074	–	10,074
Share-based payments – social security	123	–	123	–	–	–
CEO recruitment	–	–	–	463	–	463
CEO severance	196	–	196	–	–	–
CFO severance & recruitment	–	–	–	454	–	454
Onerous contract	394	–	394	256	–	256
Restructuring	4,092	(4,828)	(736)	4,497	–	4,497
Total adjusted items	4,805	(4,828)	(23)	5,670	–	5,670
Adjusted cash flows	7,277	(15,022)	(7,745)	15,744	–	15,744

Onerous contract

Onerous contract cash flows reflect royalty payments relating to the Group's cREO™ technology where development activity ceased in prior periods totals £394,000 (2023: £256,000).

Restructuring

Cash generated 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 £736,000 (2023: £4,497,000 cash defrayed)

Group Restructuring

- Cash costs defrayed of £64,000 (2023: £nil) consist of employee-related costs related to the restructuring of the Group's Executive Leadership Team following the departure of the former CEO. Cash costs of £1,290,000 in 2023 related to employee costs and redundancies associated with a group-wide restructuring programme.

US Restructuring

- Cash costs relating to the closure of the Group's manufacturing facility in Pennsylvania total £6,856,000 (2023: £4,037,000) of which, £2,820,000 (2023: £3,087,000) has been defrayed in the current period. Cash proceeds on disposal of PPE is included in investing activities and totals £4,061,000 (2023: £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 £1,072,000 (2023: £nil). Cash proceeds on disposal of property, plant and equipment is included in investing activities and totals £767,000 (2023: £nil) in the year.

Asian Restructuring

- Cash costs relating to the dual track IPO or sale of the Group's Taiwanese manufacturing operations total £155,000 (2023: £nil)
- Final cash receipts linked to the voluntary liquidation of the Group's Singapore subsidiaries, where manufacturing operations ceased in June 2022 total £19,000.

Adjustments to net debt

	2024 £'000	2023 £'000
Adjusted net debt		
Net debt	(69,330)	(48,528)
Lease liabilities due after one year	44,872	40,435
Lease liabilities due within one year	5,658	5,865
Adjusted net debt	(18,800)	(2,228)

5. 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 in order 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 4.

	2024 £'000	2023 £'000
Loss attributable to ordinary shareholders	(38,178)	(29,378)
Adjustments to loss after tax (note 4)	14,444	5,388
Adjusted loss attributable to ordinary shareholders	(23,734)	(23,990)

	2024 Number	2023 Number
Weighted average number of ordinary shares	964,315,248	896,744,318
Dilutive share options	14,291,760	10,155,464
Adjusted weighted average number of ordinary shares	978,607,008	906,899,782

Adjusted basic loss per share	(2.46p)	(2.68p)
Basic loss per share	(3.96p)	(3.28p)

Adjusted diluted loss per share	(2.46p)	(2.68p)
Diluted loss per share	(3.96p)	(3.28p)

6. Cash generated from operations

Group	2024 £'000	2023 £'000
Loss before tax	(36,905)	(28,811)
Finance costs	3,947	3,032
Depreciation of property, plant and equipment	16,552	13,186
Depreciation of right-of-use assets	3,791	3,790
Amortisation of intangible assets	6,390	7,688
Impairment of intangible assets	3,772	—
Impairment of property, plant and equipment	4,615	—
Impairment of right-of-use assets	31	—
Gain on remeasurement of right-of-use assets	(202)	—
Inventory write downs	391	522
Non-cash movement on trade receivable expected credit losses	3	(1,808)
Non-cash provision movements	288	1,599
Gain on deemed disposal of JV	—	(2,419)
Profit on disposal of fixed assets	(797)	(152)
Share-based payments	3,174	2,565
Cash inflow/(outflow) from operations before changes in working capital	5,050	(808)
Decrease in inventories	3,677	7,503
(Increase) /decrease in trade and other receivables	(608)	6,601
Decrease in trade and other payables	(3,938)	(1,760)
Decrease in provisions	(2,899)	(1,462)
Cash inflow from operations	1,282	10,074

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2024 or 2023. The financial information for 2023 is derived from the statutory accounts for 2023 which have been delivered to the registrar of companies. The auditor has reported on the 2023 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.