



Rakon Limited

Strategic funding requirements and business update

- › Rakon is undertaking an equity capital raising to fund further expansion of Chinese manufacturing facilities and overall revenue growth
- › Substantial earnings growth opportunity provides the business case to pursue the expansion of Chinese manufacturing capabilities now
 - Capacity to meet significant growing demand from GPS in particular smartphones and emerging wireless technologies such as Femtocells
- › The equity capital raising comprises:
 - NZ\$ 45 million underwritten institutional placement, comprising two tranches:
 - ~NZ\$ 25 million unconditional
 - ~NZ\$ 20 million conditional upon a shareholder vote
 - NZ\$ 20 million underwritten Share Purchase Plan (“SPP”)
 - NZ\$ 6.3 million issued to Timemaker partners¹
 - Both the institutional placement and SPP are underwritten at NZ\$1.10

1. Total deferred consideration on Timemaker JV is ~NZ\$12.6 million, of which NZ\$6.3 million is to be paid in shares at placement issue price and NZ\$6.3 million in cash proceeds from equity raising. Shares will be subject to a lock-up period of 12 months.

- › China Manufacturing Advantages
 - Greater control of the supply chain - material cost saving benefits
 - Rakon technology leadership combined with Timemaker precision low cost manufacturing expertise enhances cost competitiveness
 - Chengdu Hi Tech Zone – land identified and commercial negotiations well progressed
 - Stage 1 crystal capacity to be operative in early 2011
 - Proximity to major customers

- › Immediate Financial Outlook
 - Estimate FY10 EBITDA between NZ\$ 4 to 8 million inclusive of expected 1H10 loss NZ\$ 3 to 4 million
 - Sales pricing, FX and Global environment impacting
 - Estimate FY11 EBITDA of NZ\$ 30 to NZ\$ 35 million
 - Strong growth in smart-phones, femtocells and telecommunications market share gains

Summary

Sources	NZ\$ millions	Uses	NZ\$ millions
Capital raising	\$65	Chinese expansion (stage 1)	\$30
		Working capital	\$15
		Deferred JV settlement	\$6.3
		Pay down of debt	\$7
		Other capex initiatives	\$6.7
Total	\$65		\$65

- › Chinese expansion expected to require ~US\$ 60 million over next 4 years
 - Balance of funding expected to be sourced from operating cash flows



Business Update

› 1H10

- Q2 sales volume will be on par with same period in FY09
 - Recovery in consumer demand (PNDs) and new smart phone demand
 - Growth in telecommunications with market share gains
- Aggressive price reductions for GPS
- Substantial weakening in US\$ against NZ\$ and GBP
 - NZ\$/US\$ moved from 0.55 to >0.70
 - GBP/US\$ moved from 1.41 to 1.65
- EBITDA for 1H10 will be a loss of ~NZ\$3 to 4 million
- Net debt has reduced slightly from FY09
 - Operating cash positive (lower inventory and receivables) funding capital investment

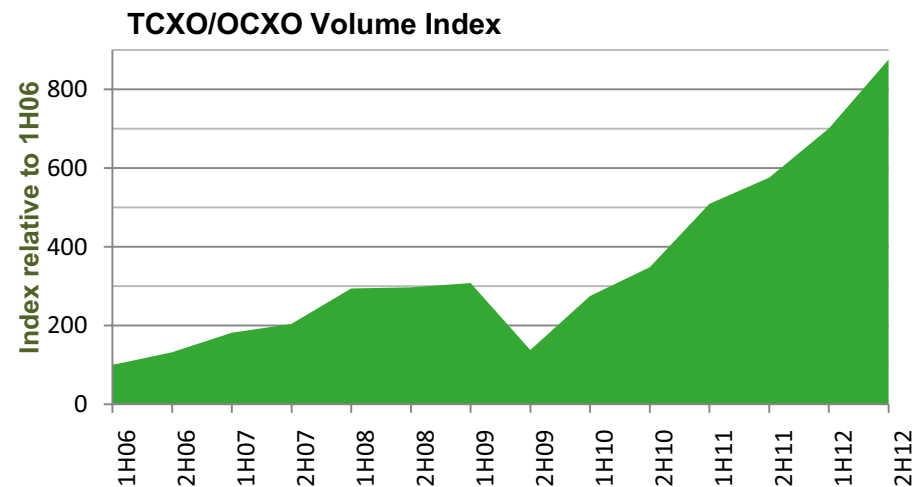
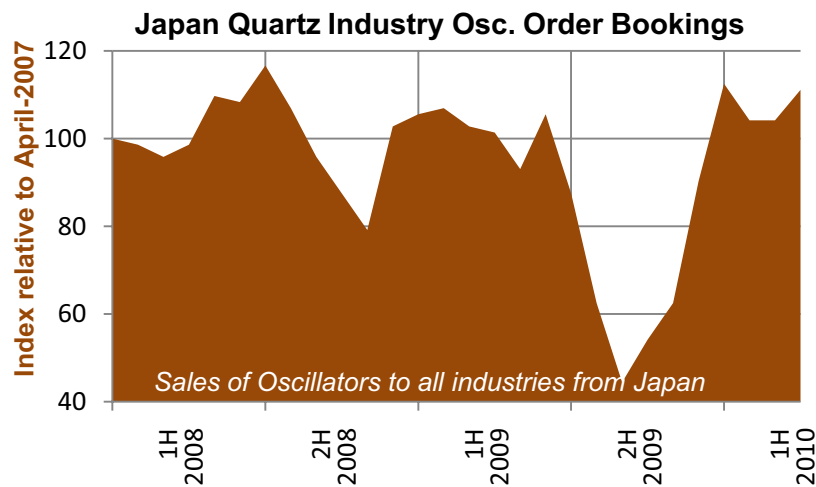
› 2H10 & FY11

- Forecast significant sales volume growth
 - Smart phone, Femtocell, telecommunications infrastructure, aerospace
- Foreign Exchange
 - 2H10 US\$/NZ\$ covered 90% at ~65 cents
 - FY11 US\$/NZ\$ covered 10% at ~69 cents

Volume Growth

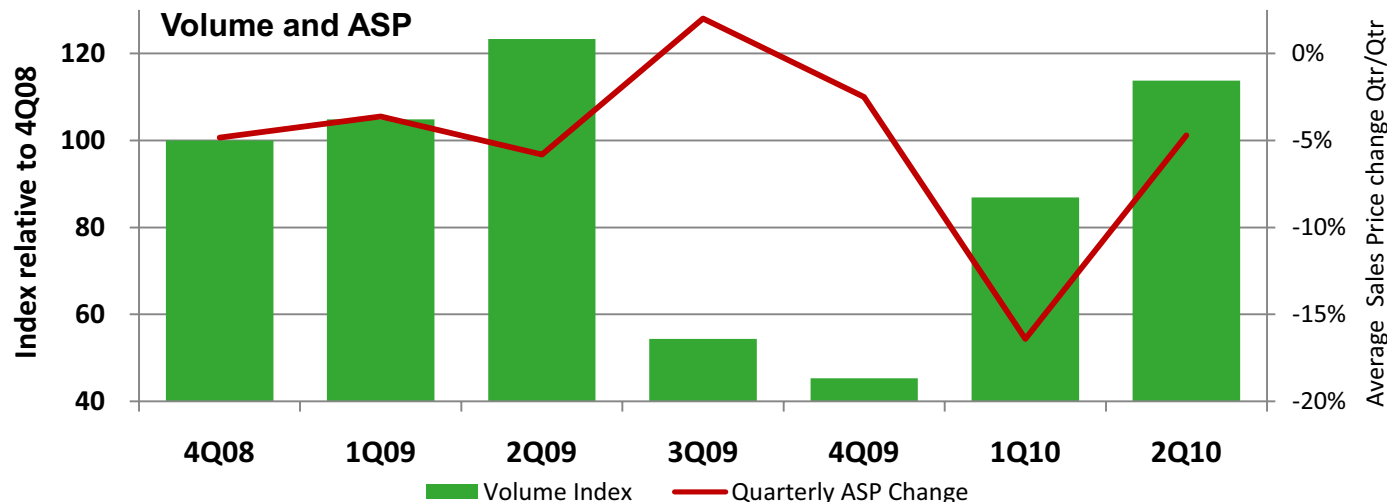
- › 1H10 volumes recovering strongly
 - 1H10 expected to be up ~100% on 2H09
 - Recovery & growth in PND markets
 - New phone business
 - Telecommunications growth

- › Significant volume growth forecast for 2H10 & FY11
 - Expect 2H10 volumes to be ~150% up on 2H09
 - Estimate FY11 volumes up ~70% on FY10
 - Substantial phone business
 - Telecommunications growth – OCXO and Pluto TCXO



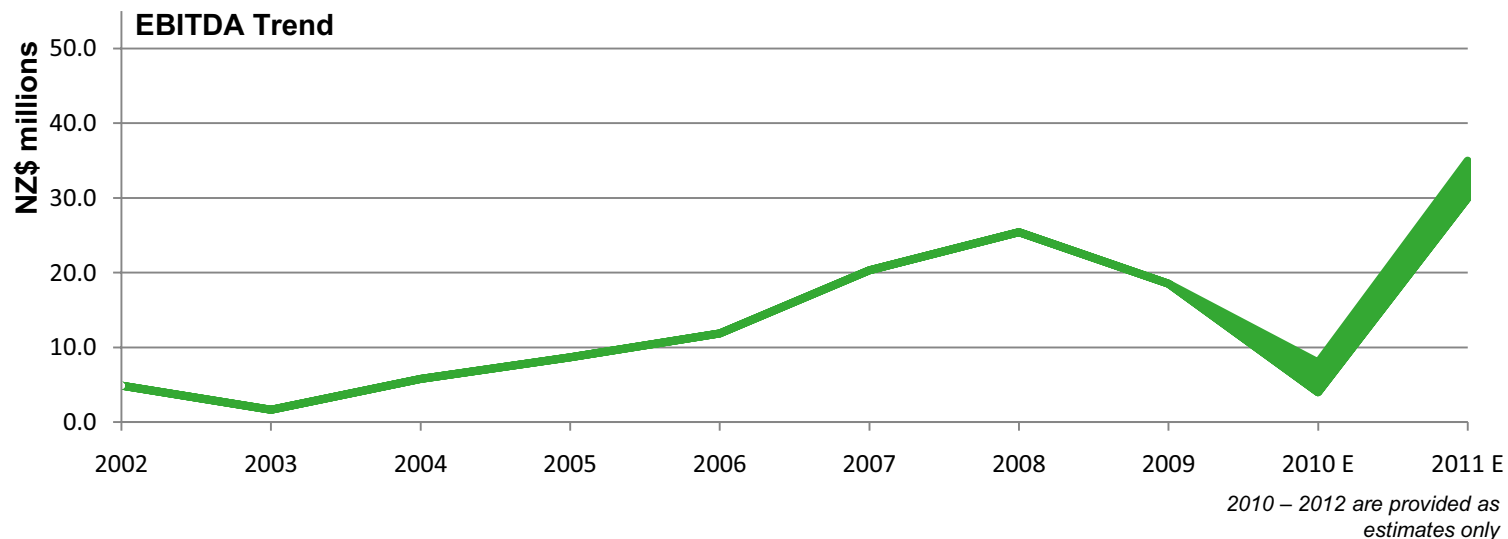
Profitability

- › Gross Margin & EBITDA is expected to be materially lower in FY10, driven by:
 - US\$ unit prices for GPS business are down by ~20% over the last 12 months
 - Expected convergence of PND and mobile phone pricing has happened quickly
 - Sharp recovery caused tight supply of TCXO materials which has prevented Rakon from obtaining price reductions from suppliers
 - US\$ has weakened considerably against NZ\$ and GBP since March 09
 - Small offset with China (Timemaker) JV performing ahead of expectations



Profitability

- › Gross Margin & EBITDA is expected to improve in FY11
 - Price declines for TCXOs have moderated as demand for PNDs have recovered
 - Constrained supply of materials is expected to ease by December 2009
 - Volume growth efficiencies – GPS smartphones and Femtocells
 - Product mix impact – growth in higher margin telecommunications business including Femtocells
 - Longer term margin will be protected by manufacturing capability in China and India complementing technology leadership from NZ & Europe.





Market & Products Update

Positioning

- › PND demand returning
 - Rakon maintaining market share, continuing to supply all major PND manufacturers
 - Growth in China
 - ASP declined significantly in 1Q10 but now stabilising
- › Beacon market continuing to grow
 - Rakon 75%+ market share
- › Netbook and laptop demand emerging
 - Rakon with numerous design wins

	1H10	2H10	FY11
Volume	↑	↑↑	↑
ASP	↓↓	↓	↓
Gross Margin \$	↓	—	↑



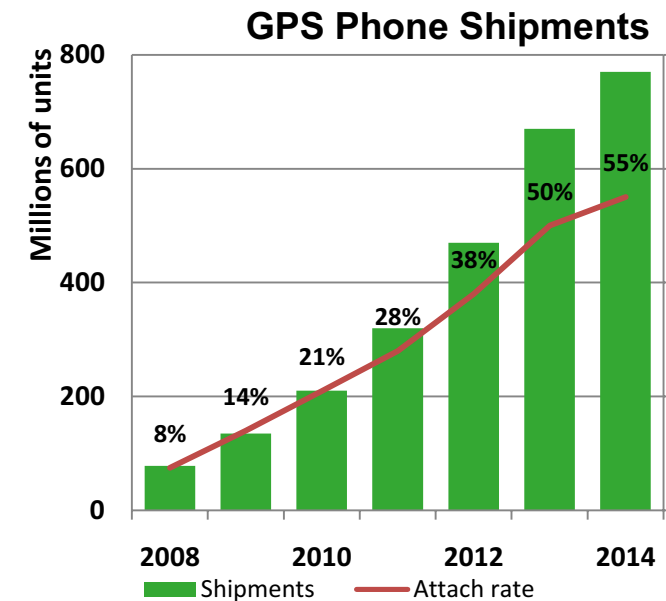
Mobile Phone

- › GPS as a feature in phones firmly established
 - Berg Insight (April 2009) estimate market is 135 million smart and feature phones for CY09 growing to 670 million in CY13. Recent estimates suggest CY09 volume may be higher.

- › Rakon leading phone manufacturers demand for improved specification

- › Rakon forecast significant volume increase in 2H10 and FY11

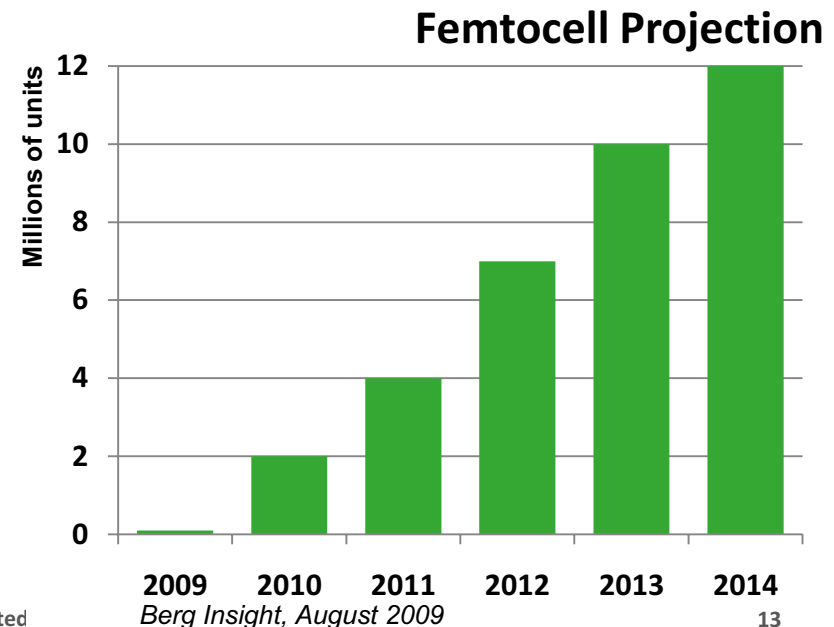
	1H10	2H10	FY11
Volume	↑	↑↑	↑↑↑
ASP	↓↓	—	↓
Gross Margin \$	↓	↑	↑↑



Berg Insight, April 2009
 Attach rate = % of total GSM/WCDMA handsets equipped with GPS

Femtocells

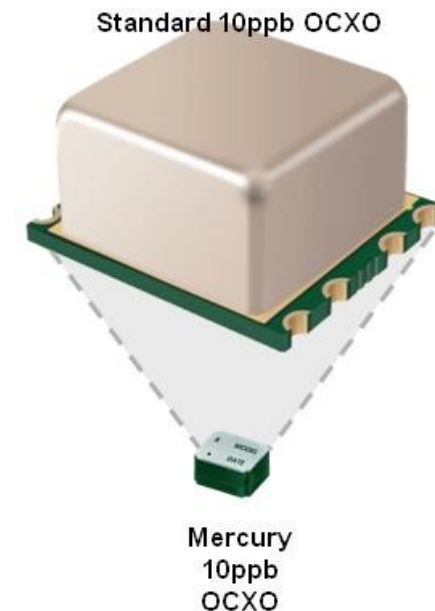
- › Femtocell demand expected to build in 2H10 and into FY11
- › Launch Announcements
 - Vodafone Access Gateway: **Launched**
 - Sprint AIRWAVE™: **Launched**
 - Verizon Wireless Extender: **Launched**
 - AT&T: **End of year**
 - Many others to follow soon
- › Benefits
 - Improved coverage
 - Reduced network build cost
 - Improved data speed
 - Mobile to fixed line convergence



Telecommunications

- › 1H10 strong growth for TCXOs, particularly Pluto into fibre optics
- › 2H10 will see significant growth in OCXO
 - Indian JV fully operational
 - Product innovation
- › VCXO range under development
 - Sampling under way
 - Production volume in FY11
- › Moderate overall market growth with market share gains being experienced
 - Significant growth potential within existing market

	1H10	2H10	FY11
Volume	↑	↑↑	↑↑
ASP	↓	—	↓
Gross Margin \$	—	↑	↑↑

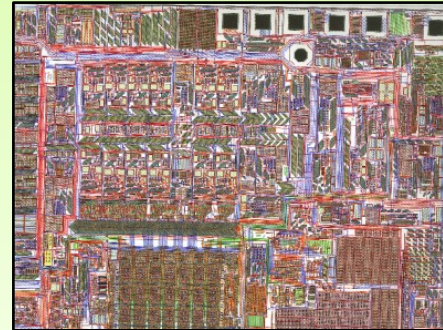


Innovation & Development

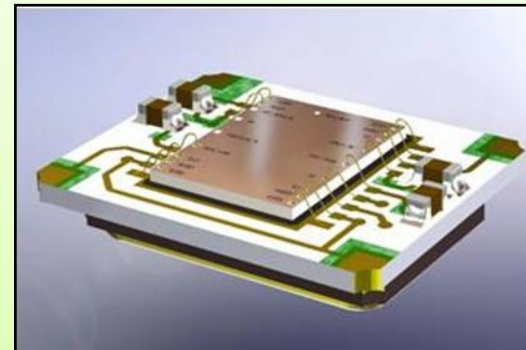
In-house equipment and software development



In-house integrated circuit (ASIC) design team

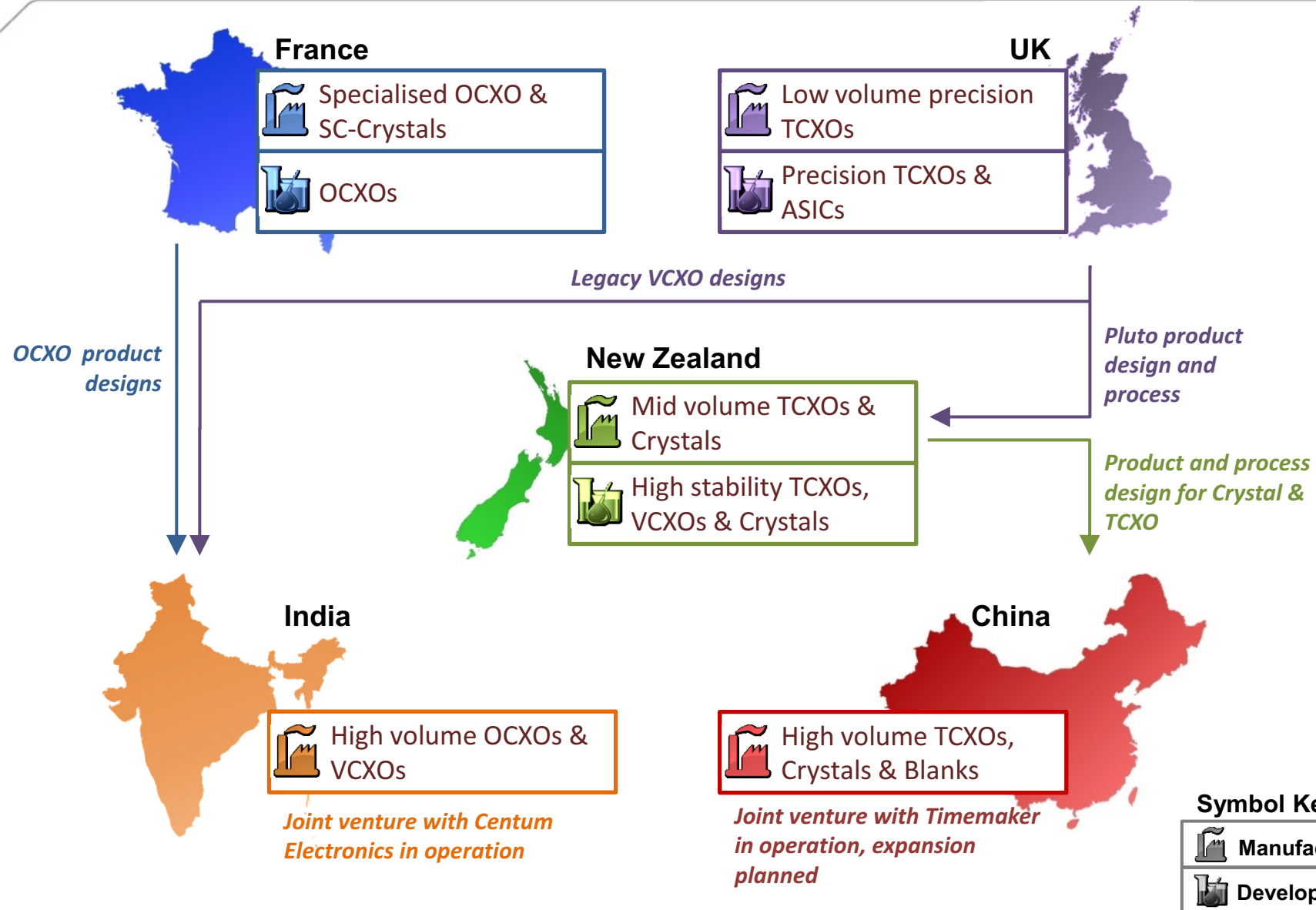


Research programs



New product development

Global Technology Sharing



Maintain leadership in GPS market



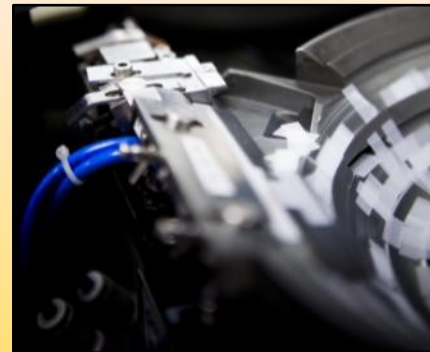
Gain market share in GPS phone market



Increase share in telecommunications market



Expand Chinese manufacturing





Chinese Manufacturing Expansion

- › Critical step in earnings growth and globalisation of Rakon
 - Strategically positions Rakon ahead of its competitors leveraging established base in China
 - Investment of up to US\$60 million over next 4 years

- › Chengdu
 - Designated centre of science and technology for south west China
 - Historic city >2000 years, population of 11.2 million, large geographic spread, favourable environment
 - Support and engagement from municipal authorities excellent
 - High quality labour resource – over 40 universities and colleges
 - Reliable infrastructure (energy, water, transportation) – superior to Eastern seaboard
 - High Tech Zone ratified and ranked nationally with 700 foreign invested enterprises
 - R&D base for Alcatel, Ericsson, Nokia, ZTE, Huawei, NEC and others

Chengdu



- › Rakon – world leader
 - Combining Rakon’s technology leadership with Timemaker precision low cost manufacturing expertise

- › Substantial earnings growth opportunity
 - Current PND market demand ~50 million units per annum
 - Mobile phone market greater than 1.2 billion units per annum
 - Forecast GPS attach rate has moved from 7% in 2008 to 15% in 2009 and is projected at 50% in 2013 (*Berg Insight April 2009*)

- › Chengdu High Tech Zone (CDHT)
 - Extremely responsive – land identified, administrative processes streamlined and transparent, incentive package negotiated, agreements under review, phased construction permitted

- › Joint Venture Facility
 - Rakon 70% shareholder – 30% held by partners in Timemaker
 - Stage 1 crystal capacity to be operative in early 2011



Strategic Funding Requirements

Capital Structure Objectives

- › Undertaking a NZ\$ 65 million equity raising to provide funds to enable expansion of Chinese manufacturing facilities and fund revenue growth
- › Rakon has adopted a near-term zero debt policy
 - Currently has net debt of NZ\$ 7 million, deferred consideration for the Timemaker acquisition of NZ\$ 13 million and unutilised facilities of ~NZ 30 million.
 - Utilisation of Equity Raised
 - Investment in facility and equipment of China facility (Stage 1 to end of FY11: NZ\$ 30 million)
 - Working capital investment (NZ\$ 15 million)
 - Settlement of 50% of deferred consideration (NZ\$ 6.3 million)
 - Pay down debt (NZ\$ 7 million) – ensures sufficient debt capacity exists to complete the Chinese expansion and other planned manufacturing initiatives

Details of the Capital Raising

- › Institutional Placement
 - NZ\$ 45 million underwritten total issue size comprising two tranches:
 - ~NZ\$ 25 million unconditional
 - ~NZ\$ 20 million conditional on a shareholder vote

- › Share purchase plan (“SPP”)
 - Shareholders in New Zealand will have the opportunity to participate in the capital raising through an SPP
 - Price for the SPP will be the lower of:
 - Final placement price
 - 5 day average end of day market price prior to the close of the SPP, less 2.5%
 - Each holder will be entitled to apply for up to NZ\$ 15,000
 - Applications will be scaled if subscriptions exceed NZ\$ 20 million

- › Shares issued to Timemaker partners
 - As settlement of half the existing deferred consideration, Timemaker will be issued with NZ\$ 6.3 million of Rakon shares at the placement price

Placement timetable

Event	Date ¹
Placement	September 22
Trading halt on NZX	September 22
Books open ²	September 22, 12:30pm
Books close ²	September 23, 12:00pm
Allocations	September 23
Settlement (unconditional tranche)	September 28
Allotment (unconditional tranche)	September 29
Shareholder vote	October 12
Settlement (conditional tranche)	October 15
Allotment (conditional tranche)	October 16

Notes

1. All dates and times are in New Zealand standard time. Dates and times are indicative only and maybe subject to change without notice.
2. Rakon and underwriter have discretion to close the offer early and without notice.

SPP timetable

Event	Date ¹
Record date	September 29
Offer period	October 1 – October 19
Pricing period	October 13 – October 19
Settlement	October 22
Allocations	October 23

Notes

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- › This presentation contains not only a review of operations, but also some forward looking statements about Rakon Limited and the environment in which the company operates. Because these statements are forward looking, Rakon Limited's actual results could differ materially.
- › Although management and directors may indicate and believe that the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised.
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