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HY14 INTERIM RESULTS





HY14 Financial Summary (NZD)

- › Net Loss after Tax of \$45.7m

- › Revenue of \$80.5m down 10% on the prior half year.
 - ❑ Smart wireless device (SWD) revenues declining due to further price erosion.
 - ❑ Telecom up on strong commercial OCXO growth.
 - ❑ Hi-Reliability down on PY but in line with 1H expectations.

- › EBITDA of -\$4.7m down on \$4.7m achieved in prior half year.
 - ❑ Gross margin decline – residual involvement in SWD.
 - ❑ Obsolescence reserves increase \$2.5m.
 - ❑ Provision for restructuring costs \$3.8m.
 - ❑ India JV contribution \$2.4m, up from \$1.6m in prior half year.
 - ❑ After adjust. of restructure costs & stock provisions EBITDA is \$2.0m vs. prior half year.

- › Total impairment charges reported of \$32.7m.

- › Operating cash flow of \$7.8m up from -\$2.2m in prior half year.
 - ❑ Release of working capital from SWD following announcement to divest in RCC.

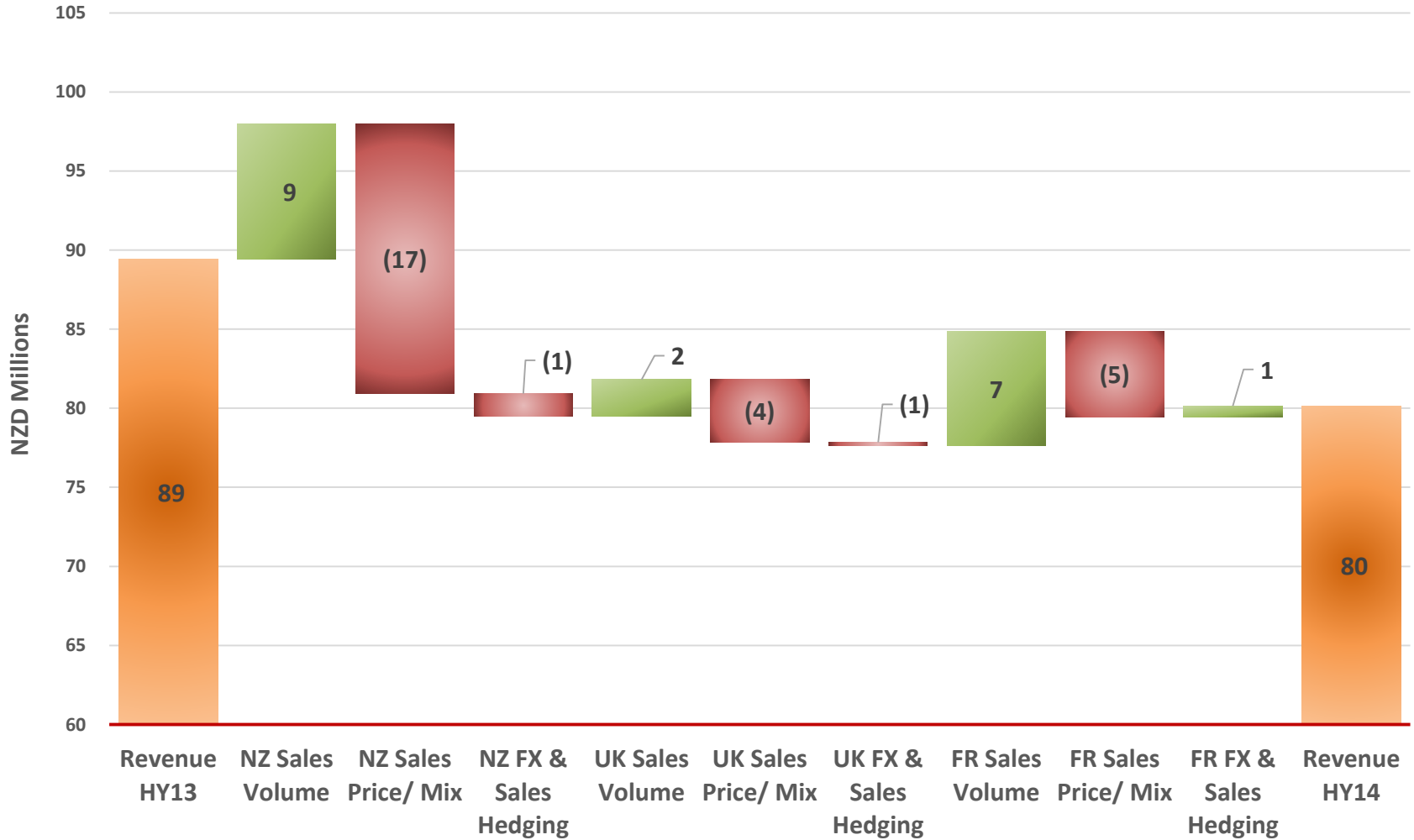
Financial Overview

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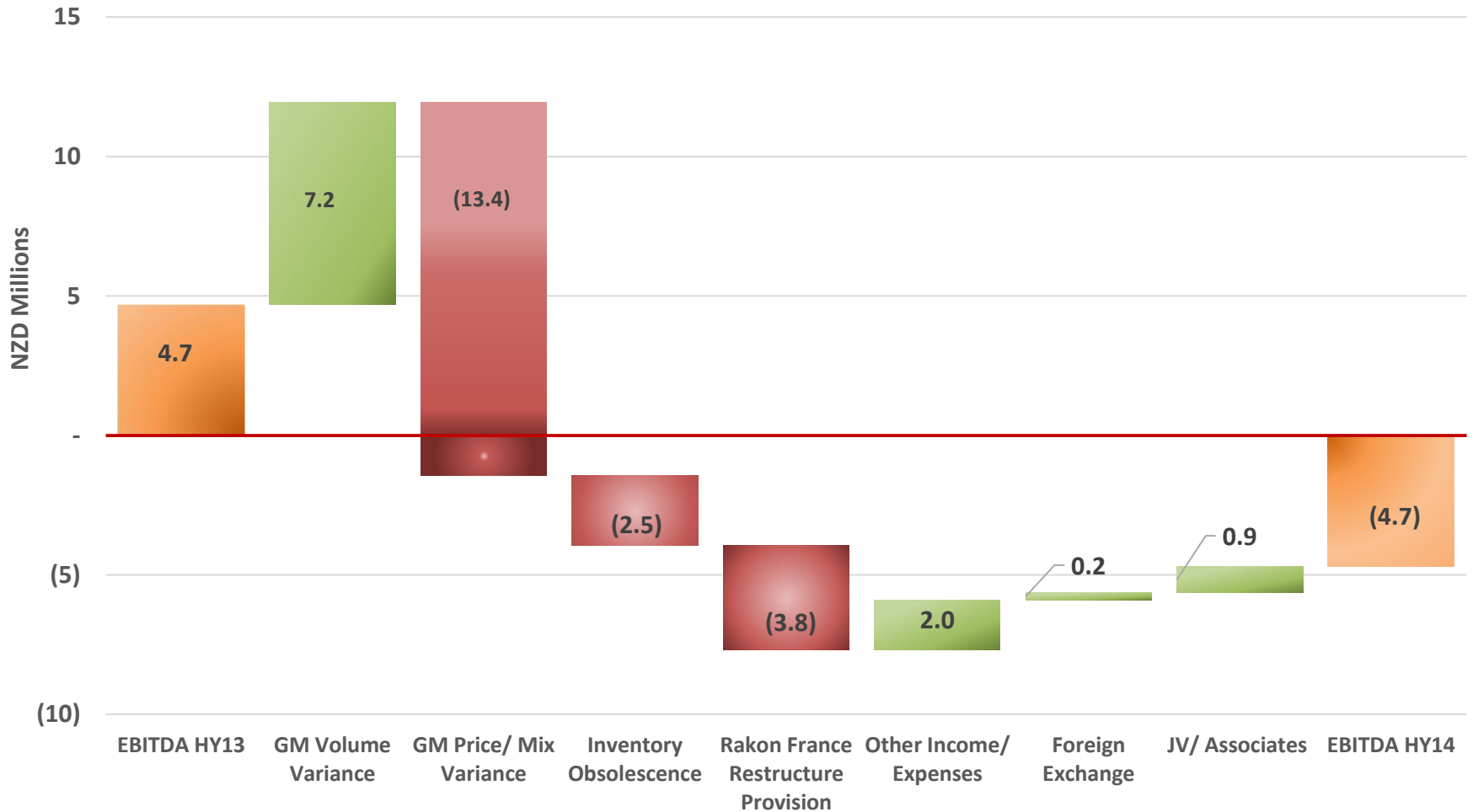
NZD Millions	HY14	HY13	FY13	FY12
Volumes (millions)	66.8	55.0	117.8	86.9
Revenue	80.5	89.4	176.3	178.3
EBITDA*	(4.7)	4.7	5.1	13.1
Depreciation & Amortisation	5.2	6.4	12.3	10.1
Impairment	32.7	-	17.3	-
Net Loss After Tax	(45.7)	(4.0)	(32.8)	(0.4)
Earnings (cents per share)	(22.3)	(1.8)	(16.8)	(0.1)
Operating Cash Flow	7.8	(2.2)	(2.7)	7.9
Additions of PPE & Intangibles	3.7	5.3	12.3	25.6
Cash Reserves	10.0	3.9	3.3	12.4
Bank Borrowings	36.9	32.9	36.1	33.5
Shares on issue at balance date (millions)	191.0	191.0	191.0	191.0

* A detailed reconciliation of EBITDA to Net Loss After Tax is included at Note 4 of the 30 September 2013 Interim Financial Statements (Rakon September 2013 Half Year Result Announcement on 14 November 2013)

Revenue Bridge

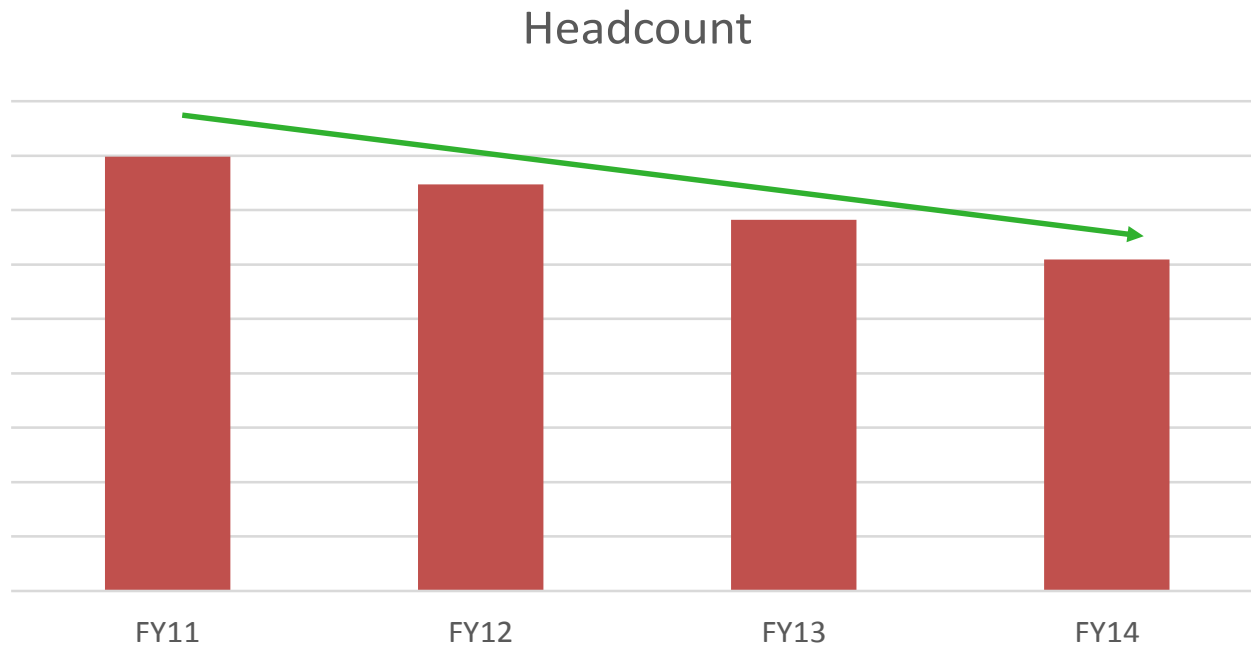


EBITDA Bridge



Headcount Trend

- 25% reduction in headcount 2011 to 2014.
- Headcount reduction from RCC divestment not included.



Includes NZ, UK, France operations and Global Sales

Structural Realignment

Strategic Initiative	Progress / Timing
<p>Smart Wireless Device Market:</p> <ul style="list-style-type: none">❑ Divestment in Rakon Crystal Chengdu (sale to ECEC)	Complete
<p>Rakon France:</p> <ul style="list-style-type: none">❑ Shift of OXO manufacturing from France to Centum Rakon❑ Rakon France restructure	Complete On track / 2H
<p>Reduction in Bank Borrowings:</p> <ul style="list-style-type: none">❑ Reduce below \$19.0m as at 31-October❑ Reduce below \$12.0m as at 31-March	Complete On track / 2H
<p>Focus on High Growth/Profitability Markets:</p> <ul style="list-style-type: none">❑ Re-direction of internal resources	On track/ 2014



HY14 Market Update



Telecommunications: 4G/LTE

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- Globally mobile operators announcing massive tenders for 4G/LTE network infrastructure equipment:
 - ❑ **China:** China Mobile awards 20Bn RMB tender for 207,000 base stations. China Telecom releasing 10Bn RMB tender end of 2013.
 - ❑ **Japan:** KDDI moving to phase 2 of LTE rollout, which includes a large number of macro cells.
 - ❑ **USA:** Operators have strong demand for LTE base stations as they lead 4G/LTE deployments globally.

- Improving market conditions and increasing demand for Rakon's high-end telecoms product portfolio:
 - ❑ OCXO sales increasing, reflecting strong market share in 4G/LTE equipment design wins and global roll out of 4G infrastructure.
 - ❑ Huawei strategic alliance progressing well in telecom infrastructure business.
 - ❑ Nominated "Leading Emerging Tech Supplier" at Rakon's first Cisco supplier conference.



Telecoms: Small Cells & Switches

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➤ Small Cells:

- ❑ Market analysts indicate small cell projects will be tested and deployed in 2014.
- ❑ In 2015 operators globally plan to go into large scale high volume small cell deployments.
- ❑ Rakon well positioned with high market share in test deployments.

➤ Backhaul, Switch and Transport:

- ❑ Large scale Small Cell deployments are also expected to drive new Backhaul Infrastructure.
 - ❑ Backhaul in turn is driving demand for more switches and faster transport networks.
 - ❑ Many different types of equipment being developed, all requiring high performance OCXO, TCXO, VCXO and XO products for frequency and timing control.
- Rakon is well poised with high market share and many design wins in the growing Small Cell, Backhaul, Switch and Transport markets.



High Reliability: Space & Defence

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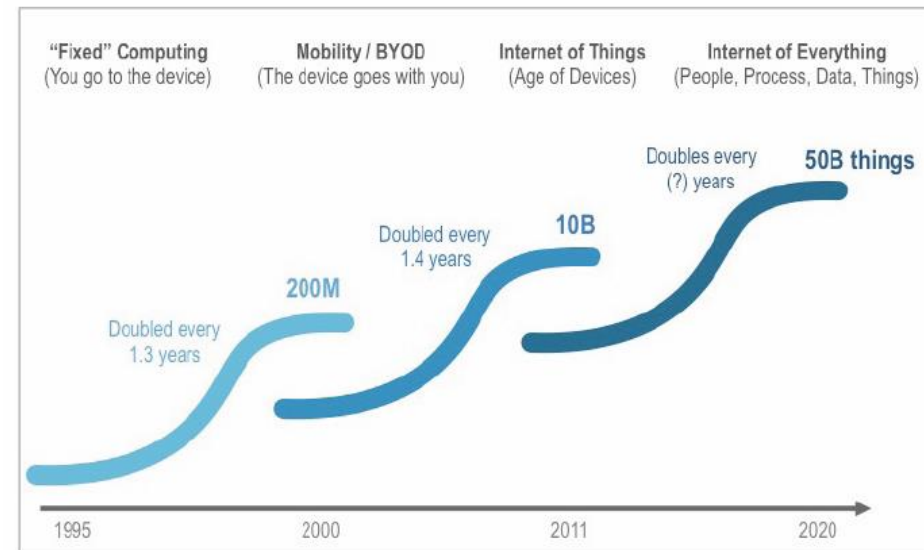
- High Reliability revenue is on target for FY14.
 - ❑ Sales pipe line is looking stronger next year.
 - ❑ Defence business growing with encouraging order intake.
 - ❑ New Ultra Low-Noise series products generating strong interest.
 - ❑ New product pipeline including highly ruggedized products achieving design wins.
 - ❑ Now deploying radar upgrades for Nav Canada with digital sub-systems replacing old analogue systems into Canadian Air Traffic Control radars.
 - ❑ Similar digital sub-system business emerging in Indian defence market.
 - ❑ European Space industry relatively flat due to economic conditions but emerging mid-term opportunities under discussion.



← New Positioning Applications

- Personal Navigation Device market (PND) market continues to decline, being cannibalised by the use of smartphones.
- Specialist industrial GPS applications are emerging that require greater positioning accuracy aligning with Rakon's product strengths.
- The rise of Machine-2-Machine (M2M) connectivity and the Internet of Everything (IoE) will increasingly integrate new GPS applications and will offset decline in the PND market.
 - ❑ By 2020 Cisco predicts there could be 50 Billion connections joining the Internet.
- New wireless technologies and GPS chipsets for industry-focused IoE applications include:
 - telematics, intelligent vehicles, insurance, smart energy grids and security, industrial automation, consumer M2M devices, smart buildings/factories, connected healthcare and patient monitoring, location based marketing & advertising.

Figure 2. Internet Growth Is Occurring in Waves.



Source: Cisco IBSG, 2012

Positioning: Precision Agriculture

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- Global precision farming market will be worth \$3.7 Bn by 2018, at an estimated CAGR of 13.36% (Source: MarketsandMarkets)
- Increased use of precision GPS/GNSS devices as farmers opt for more advanced solutions to further increase crop productivity.
 - Tractor Guidance, Automatic Steering and Asset Management
- Precision agriculture market utilises Rakon's high end GPS/GNSS products.



Installed base of GNSS devices by application



Source: The European GNSS Agency

- EBITDA forecast to be profitable in 2H.
 - ❑ Structural realignment impacts taken up in 1H.
 - ❑ Hi-Reliability forecast to generate higher 2H revenues (vs. 1H).
 - ❑ Telecom market growing in line with expectations and forecasts.

- On track to reduce bank borrowings to \$12.0m by 31 March 2014.

- Full year 2014 profit guidance is unchanged.
 - ❑ EBITDA of -\$3.0m to \$0.

- 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.
- Media releases, management commentary and investor presentations are all available on the company's website and contain additional information about matters which could cause Rakon Limited's performance to differ from any forward looking statements in this presentations. Please read this presentation in the wider context of material previously published by Rakon Limited.

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