Shareholder update

1H23 financial results and business update

We are pleased to update our shareholders on a strong six-month performance for Rakon.

This result was underpinned by continued growth in global demand for our industry-leading frequency control and timing solutions. It was supported by a strong delivery performance, and ongoing risk management around supply chain, cost inflation and labour shortages.

We acknowledge our thousand-strong Rakon team for their efforts and unrelenting customer focus as we continue to expand and innovate. It is an exciting time to be at Rakon.

Financial performance

Total revenue rose 2% to $87.2 million (1H22: $85.4 million), with core business growth largely offsetting the decline in one-off chip shortage business delivered during the period.

Gross profit remained steady at $43.5 million, with a gross margin percentage of 50% (1H22: 51%), reflecting a strong product mix and careful management of costs over the period.

After a long period of cost stability, operating costs were $3.7 million higher at $28.4 million. While this increase was partly due to increased investment in people and resources to support growth, cost inflation, including labour and energy prices, is also having an impact across the business.

Underlying EBITDA increased 6% to $28.1 million (1H22: $26.4 million). Over the half year, the significant reduction in the NZD/USD exchange rate had also favourably impacted Rakon's Underlying EBITDA[1].

Foreign exchange gains were made on USD sales where hedging was below 100%. Some of these gains were realised during the period and the rest are unrealised. The unrealised gains mainly relate to the revaluation of USD bank balances and debtors not hedged at 30 September.

Despite higher operating earnings, net profit after tax fell 15% to $16.0 million due to a higher taxation expense after accumulated New Zealand tax losses were fully used in FY22.

Capital management

As we signalled at the company's annual meeting in August 2022, Rakon's earnings growth has enabled the company to self-fund key strategic growth projects. During the six-month period, $6.8 million was invested in R&D including technology innovation, new product development and manufacturing capability to meet anticipated demand. This investment, comprising both capital and operating expenditure, was funded by a combination of operating cash and cash reserves.

Inventory increased over the period by $14.7 million, following a decision to increase safety stocks of raw materials and finished products to mitigate supply chain risks and ensure delivery continuity for key customers. Rakon India has also built buffer stocks to ensure delivery continuity during the transfer of its manufacturing operation to the new facility, starting in 2023.

This has been a prudent move given the current macroenvironment. We consider inventory levels to now be at peak, and to start reducing in the coming months.

Rakon's balance sheet remains robust, with net assets increasing by 3% to $140 million. Net cash was $18.4 million, down $4.8m since March as the company invested in additional inventory and in the construction of the new building in India. During the period Rakon repaid an existing $10 million debt facility which had been established in 2021.

Consistent with the dividend policy, the board has determined not to declare an interim dividend.

Revenue

$87.2m

▲ $1.7m +2%

Underlying EBITDA[1]

$28.1m

▲ $1.7m +6%

Net profit after tax

$16.0m

▼ $2.9m -15%

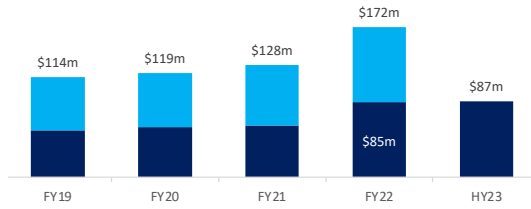
Net cash/(debt)

$18.4m

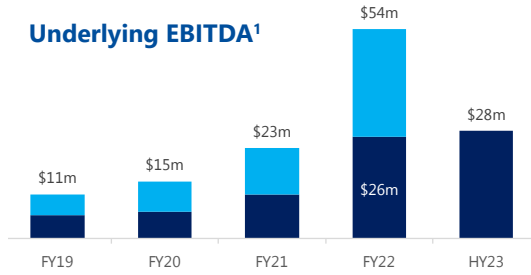
▼ $4.8m -21%

v March 2022

Revenue



Underlying EBITDA[1]



[1] Refer to note 5 of the FY2022 audited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to NPAT.

Reframing our strategy

Rakon's growth strategy is set around four key objectives, which focus on: growing our core business; maintaining our product and technology leadership; expanding into new markets; and being a world-class manufacturer.

Under each objective we have identified key areas where we are focusing our efforts to drive growth. This may be through organic growth initiatives or strategic acquisitions which accelerate growth through access to markets or technologies. As we invest in growth, our investments will align with these key areas.

An update on core business growth is provided on page 3.

At the Annual Meeting we highlighted to shareholders four current investment projects that we believe will position us strongly for significant future growth. A progress report on these projects is provided on page 4.

GROW OUR CORE BUSINESS

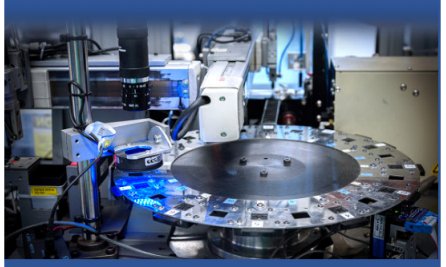
Telco market leadership – products using proprietary technologies

Space & Defence – market access in North America

Precision industrial positioning applications

New technology design-in

MAINTAIN PRODUCT & TECHNOLOGY LEADERSHIP



Rakon semiconductor chips – accelerate time-to-market

XMEMS ® – deliver next generation products and performance

Space & Defence – move upward into equipment and subsystems

EXPAND INTO NEW MARKETS

NewSpace

Cloud computing

Autonomous vehicles

Targeting key customer partnerships in new markets

DELIVER WORLD CLASS MANUFACTURING

Global Manufacturing Roadmap

Manufacturing capacity and capability expansion

Advanced supply chain management

XMEMS ® nanotechnology volume manufacturing

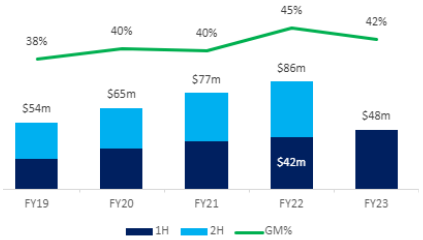
Strategic acquisitions supporting growth strategy

Growing our core business

Telecommunications

Strong momentum continues

Revenue & GM%



Our market-leading telecommunications products enable data to be transmitted across networks at ever-increasing levels of speed and reliability. Market growth is led by the unrelenting advancement of telecommunications and cloud computing equipment and infrastructure.

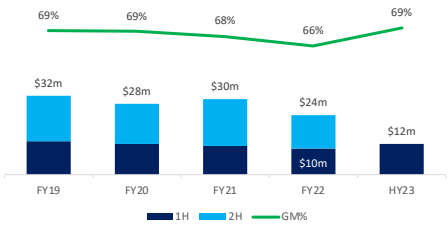
Revenue grew 14% to $47.5 million, driven by the ongoing rollout of 5G networks and increased market share with major customers. Revenue growth was well balanced across networking, base station and radio head products. Gross margin rose $2.4m (14%) to $20.0m, with the GM% down slightly due to a different product mix.

While 5G networks continue to dominate market growth, emerging open radio networks (O-RAN) and edge servers are also expected to drive medium-term demand. Rakon is developing a strong presence in these segments, with our products continuing to be 'designed-in' to reference designs, making Rakon a preferred supplier and ensuring long product lifecycles.

Space & Defence

Space programmes return

Revenue % GM%



Rakon's space and defence products deliver the highest levels of performance in extreme environments; in aviation, satellites, radar, communications and positioning systems. Market growth is being led by the emerging low earth orbit (LEO) satellite market.
We work with government agencies and commercial programmes around the world to develop next generation solutions.

Revenue increased 19% to $12.3 million, driven mainly by demand for high-reliability applications as key space programmes resumed post-Covid. Margins grew by 26% to $8.5 million, or 69% of revenue, with these strong margins reflecting the high value and performance requirements for this market.

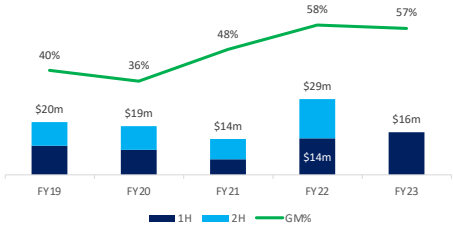
In the emerging NewSpace segment we are continuing to establish a key position in the ecosystem, with further detail on page 4.

While defence sector momentum has been slower than expected given geopolitical events, we are now seeing increased activity and expect this to continue in the second half.

Positioning

Steady industrial growth and locator beacon resurgence

Revenue & GM%



Our products meet the most accurate positioning requirements in key industries: aircraft/marine navigation, emergency beacons, automotive, autonomous agriculture & mining. Market growth is being led by autonomous industrial equipment and vehicles as well as precision equipment.

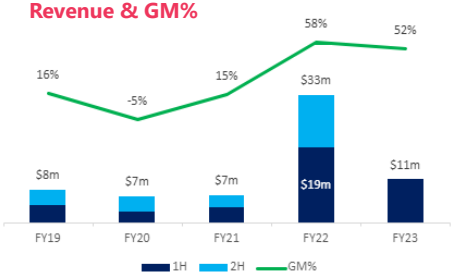
In recent years we have strategically repositioned away from consumer high-volume/low value segments to focus on high-value industrial segments where we have a product performance advantage.

Half year revenue grew 16% to $16.4 million, driven by steady growth in industrial positioning (e.g. agriculture and construction surveying) as well as a resurgence in emergency beacons as global travel returns. Gross margin increased 14% to $9.3 million, or 57% of revenue.

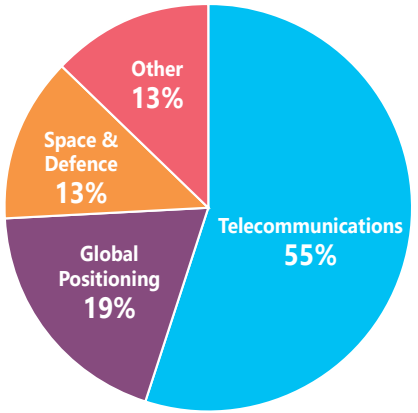
IoT, emerging and other

Worldwide TCXO chip shortage opportunity captured

Revenue & GM%



In 1H22, this segment contributed 22% of Rakon's revenue as opportunities stemming from global chip shortages were captured. These orders were completed during the period under review, with revenue 43% lower than last year at $11.0 million. Margins remained strong at 52% and the segment contributed 13% of total revenue in 1H23.



Revenue by Segment 1H23

Growth strategy – key project update

Rakon India facility

Construction is nearly complete at Rakon India's new, world-class manufacturing facility in the aerospace technology hub in Bengaluru, Karnataka.

The new facility will be an integrated centre of manufacturing excellence, future-proofing our Indian operations and replacing two existing leased Bengaluru sites which the business has outgrown.

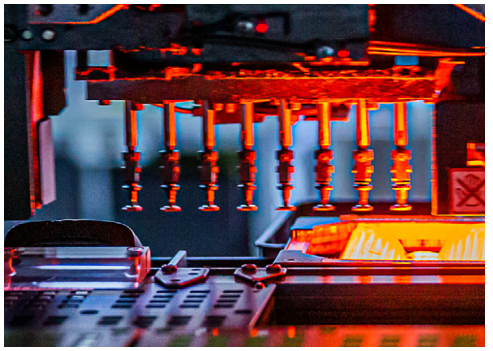
Once construction is finished, Rakon India's manufacturing operations will be transferred from the existing sites to the new facility. This critical phase will commence in 2023 and will include the commissioning of plant and equipment, product qualification by our customers and commencement of production. A comprehensive plan is in place to ensure continuity of supply to customers through the transition.

The new facility provides space for Rakon India to scale up its OCXO[2] production capacity by some 20%, and allows additional capacity for the production of Mercury+™ OCXO products currently made in New Zealand (anticipated to be late 2023). The new facility will be one of the world's largest and most sophisticated manufacturing sites for frequency control products.

Rakon proprietary semiconductor chips

With Rakon's own chips enabling superior product performance, we are investing to accelerate our semiconductor programme by increasing our development and delivery capability and strengthening collaboration between Rakon's R&D teams in the UK and New Zealand.

During the period, trials for Niku™ (TCXO chip) progressed well, with Niku™ products on track for release in the second half. Our leading Mercury+™ chip continues to strengthen its market position, with a further single-source design-in approval from a major telecommunications networking customer.



XMEMS® nanotechnology manufacturing

XMEMS®[3] enables the production of miniaturised products which perform at levels not possible using existing manufacturing methods.

With three new products released in the half year, Rakon now has five XMEMS® products generating revenue at solid margins, and we are receiving strong, positive feedback from customers on their performance.

Investment in new equipment during the period will provide scalability and significantly expand manufacturing capacity to cater for anticipated future demand.

NewSpace – LEO satellites

Rakon continues to build a key position in the evolving NewSpace ecosystem which requires mass-manufactured products delivering space-grade performance. During the period we established a dedicated internal team, progressed important strategic partnerships and continued to work closely with French and European space agencies to develop new products.

A recent highlight was receiving confirmation that a new GNSS product will be on board an In-orbit Demonstration mission (anticipated launch early 2023), which is expected to be the baseline for a large constellation, planned for 2024-25.

Looking ahead

This first half performance, in particular the solid growth of our core business, has again highlighted the competitive advantages of Rakon's operating agility, technology innovation and strong customer relationships. While we fully expect the challenges and uncertainties including exchange rate movements faced in the first half to continue throughout the year, we remain well positioned to deliver a strong result for FY23.

Rakon's guidance for Underlying EBITDA has been updated to a range of $38 million to $44 million.

Our forward orders remain strong. Nonetheless, we are closely monitoring our markets and may see some dampening of customer demand due to macreconomic volatility and inventory correction. Regardless, we remain confident about the long-term growth of our core markets and are confident in our resilience and capability to respond to challenging market conditions. We will continue to proactively manage the ongoing impacts of supply chain disruptions, labour shortages and cost inflation.

Additionally, we will be working extremely hard to execute the transfer of our Rakon India operation to its new facility effectively and with minimal disruption to customers or supply. Once complete, we believe that the new operation, with its enhanced manufacturing capacity and capability, will be a vital competitive advantage for Rakon.

We are continuing to build the foundations to capture future market opportunities and are pleased with progress in our key growth projects. In accordance with our growth plan, we are investing in people, products and capability to drive organic growth, as well as evaluating potential acquisition opportunities that may provide access to new markets or technologies.

We remain committed to building a sustainable business and strengthening our environmental, social and governance (ESG) performance. Our ESG programme and reporting framework is progressing well, and shareholders can expect to see more detail and discussion in the next Annual Report.

We look forward to updating shareholders with further progress at year end.

Notes:

[1]Refer to note 5 of the FY2022 audited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to NPAT.

[2]**OCXO: Oven Controlled Crystal Oscillator**
A crystal oscillator that uses a miniaturised oven to keep its internal temperature constant.

[3]**XMEMS®** is Rakon's advanced crystal technology using microfabrication technology enabling innovative crystal design structures.