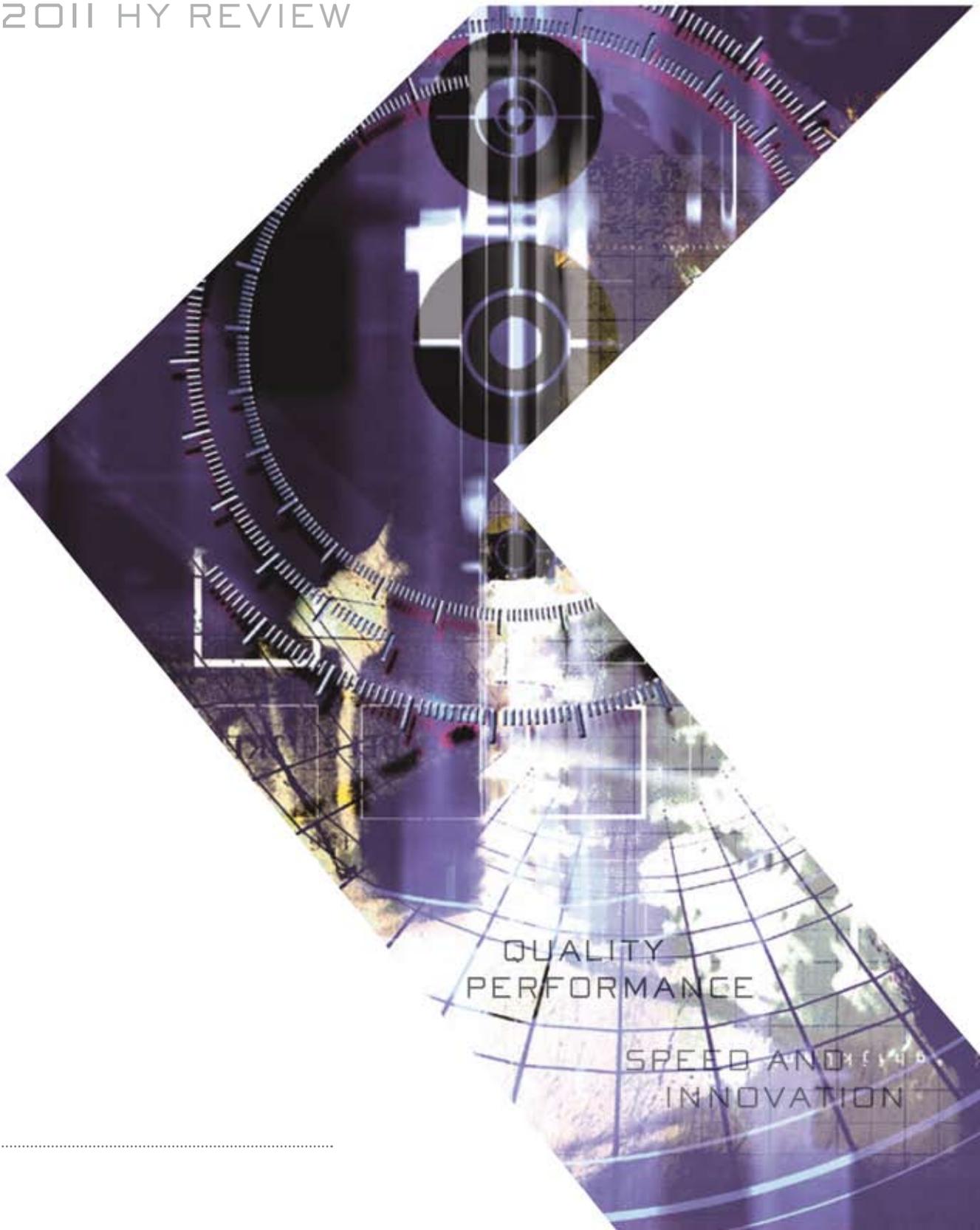


rakon

2011 HY REVIEW



QUALITY
PERFORMANCE

SPEED AND
INNOVATION

HALF YEAR REVIEW

The first six months of this year have been very rewarding for Rakon. We saw many of the projects we have been working on in the telecommunications sector over the past few years begin to deliver returns. We also greatly expanded sales into the fast growing smart phone market and seized an opportunity to acquire a key competitor in the high-reliability market sector.

Thanks to the support of our shareholders, while other companies struggled, Rakon has been able to continue to grow and develop our business for the future. This support has enabled Rakon to grow our share in many highly competitive markets, and position ourselves extremely well to capitalise on emerging opportunities. To meet the current and future demand we have also significantly increased capacity in our UK and New Zealand factories, expanded into additional facilities in India and begun construction of a brand new factory in China.

Our success in growing the breadth of our product range and revenue base, as well as investment in research and development and a global manufacturing platform, is reflected in the strong financial results for the first half of the year. Revenue grew 31% to NZ\$94.6 million and net profit after tax grew 191% to NZ\$5.6 million compared to the same period last financial year. We expect that our strategy and the skill and effort of our team will continue to deliver long term success.

Rakon is a complex business and we understand it's not always an easy business for people to understand. We supply to a wide variety of high-technology applications around the globe from our diverse global manufacturing base. However, at its heart we have a fairly simple strategy. To build a globally competitive, technology leading business, focussed on value-add markets with strong growth potential. Since listing four years ago we have significantly advanced our strategy and built a product portfolio and global operational base which is now highly attractive to the world's leading

electronic manufacturers. This coupled with our ability to innovate and our speed to market is enabling Rakon to make key design wins and secure leading positions in many rapidly developing technologies.

Four years ago we were largely focussed on GPS yet today our products can be found in a more diverse range of applications; from satellites to mobile phones, telecom networks to emergency beacons, animal tracking to jet planes and the list goes on. We have intentionally worked to leverage our expertise across a wide range of independent markets. It is this breadth of coverage that has not only helped insulate us from the worst of the economic downturn, but has helped deliver a wide range of new and significant opportunities for us.

Telecommunications

It is no secret that wireless and wired networks around the world are struggling to cope with the amount of data being transmitted on a daily basis. With massive increases in data consumption predicted, network providers are looking to expand their network capacity with new and existing technologies.

As a result we have seen the first commercial roll-outs of femtocell technologies, a large increase in demand for fibre-optic components plus the emergence of fourth generation (4G) mobile networks (LTE, WiMAX). All of these technologies have highly demanding requirements for frequency control devices which Rakon has been actively developing solutions for. As a result of this and other efforts, the leading manufacturers of these technologies have all started to increasingly choose Rakon as their frequency control partner. In the last two years we have seen our market share more than double, with telecommunications now accounting for nearly 45% of our global sales revenue.

QUALITY
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SPEED AND
INNOVATION

Smart Wireless Devices

Behind the massive increases in demand for data are what are increasingly being called Smart Wireless Devices (SWD). In particular this sector includes smart-phones (such as the iPhone, Android-phones and Blackberrys) and tablet-PCs (such as the iPad). One of the key features of most of these devices is GPS, something Rakon has 20 years experience in developing products for.

This is a highly competitive and tough market to operate in. However, the growth potential is also very large and, with the right product, one that Rakon expects to be very successful in. Our Chinese factory is a key part of our strategy to profitably capture a larger slice of this market as it grows. We are expecting construction on this facility to be completed very soon with production scheduled to begin next year. In the mean time Rakon has been working closely with the leading manufacturers of SWDs. This year we have begun to supply two of the world's largest phone manufacturers and have seen volumes begin to ramp up significantly. This has led to some record production months for our New Zealand facility and importantly it has positioned Rakon as a serious supplier to this rapidly growing market.

High Reliability

Earlier this year we acquired a French based competitor, Temex. This acquisition significantly strengthens our position in the High Reliability sector, which comprises applications in space, aviation, defence and marine. Rakon is now the largest

non-US based manufacturer of high reliability products and our product range, knowledge and expertise gives us a significant advantage over our competitors in Europe and Asia.

This market requires incredible attention to detail, very high product performance and exacting quality standards. As a consequence it is a market that offers strong financial rewards and one that Rakon is in a good position to lead. Equally as important we are able to apply what we learn in this market to our industrial and consumer products, to deliver more compelling and valuable solutions for our customers.

Positioning

Our more traditional positioning markets have also performed well. These include consumer Personal Navigation Devices (PNDs), emergency beacons, agriculture, mining and other tracking or positioning applications.

While commercial and industrial markets remained solid, the consumer markets suffered during the global recession, but these have now rebounded quite strongly. Rakon has been able to capitalise on this and maintain our market share in this increasingly competitive sector. Although overall volumes are not forecast to grow significantly from here, when compared to smart wireless devices, we expect it will remain an important and profitable part of our business for many years to come.

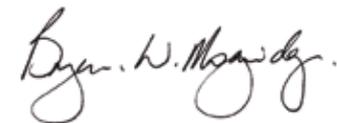
A High Tech Global Company

The global high-tech market in which Rakon competes is highly complex and dynamic; Rakon is therefore quite unique among New Zealand listed companies. We are a global company who manufactures products for a highly diverse range of technologies, across a wide range of markets and from a broad global manufacturing platform. There are very few companies, if any, that can say their products are orbiting the earth in satellites, helping people navigate on the ground and enabling people to communicate with each other through nearly every telecommunications technology imaginable.

We are pleased with the results we have achieved so far this year and remain focussed on continuing to grow and improve your company in the years to come.



Brent Robinson
Managing Director



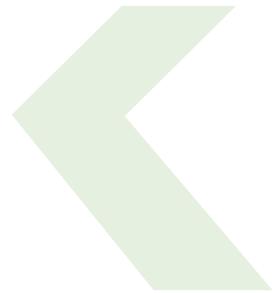
Bryan Mogridge
Chairman



...THIS COUPLED WITH OUR ABILITY TO INNOVATE AND OUR SPEED TO MARKET IS ENABLING RAKON TO MAKE KEY DESIGN WINS AND SECURE LEADING POSITIONS IN MANY RAPIDLY DEVELOPING TECHNOLOGIES.

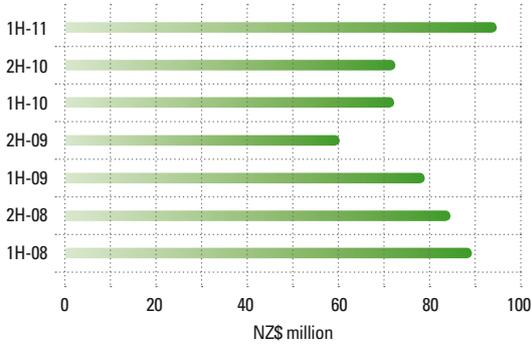
Pictured L-R: Bryan Mogridge and Brent Robinson at Rakon NZ (Headquarters)



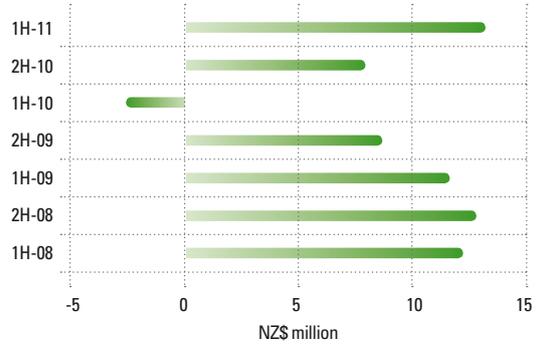


PERFORMANCE AT A GLANCE

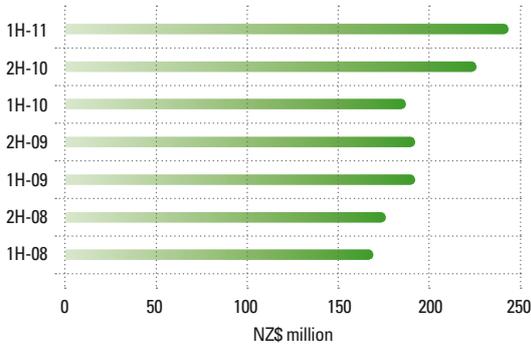
Revenue



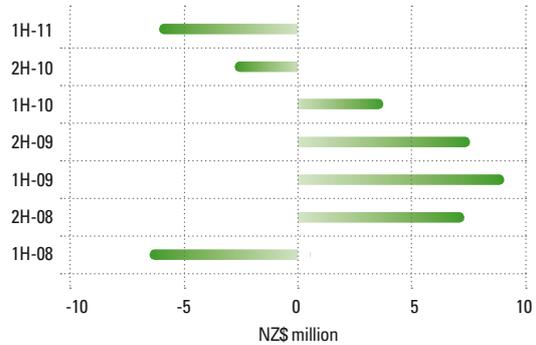
EBITDA (look through)



Total Assets

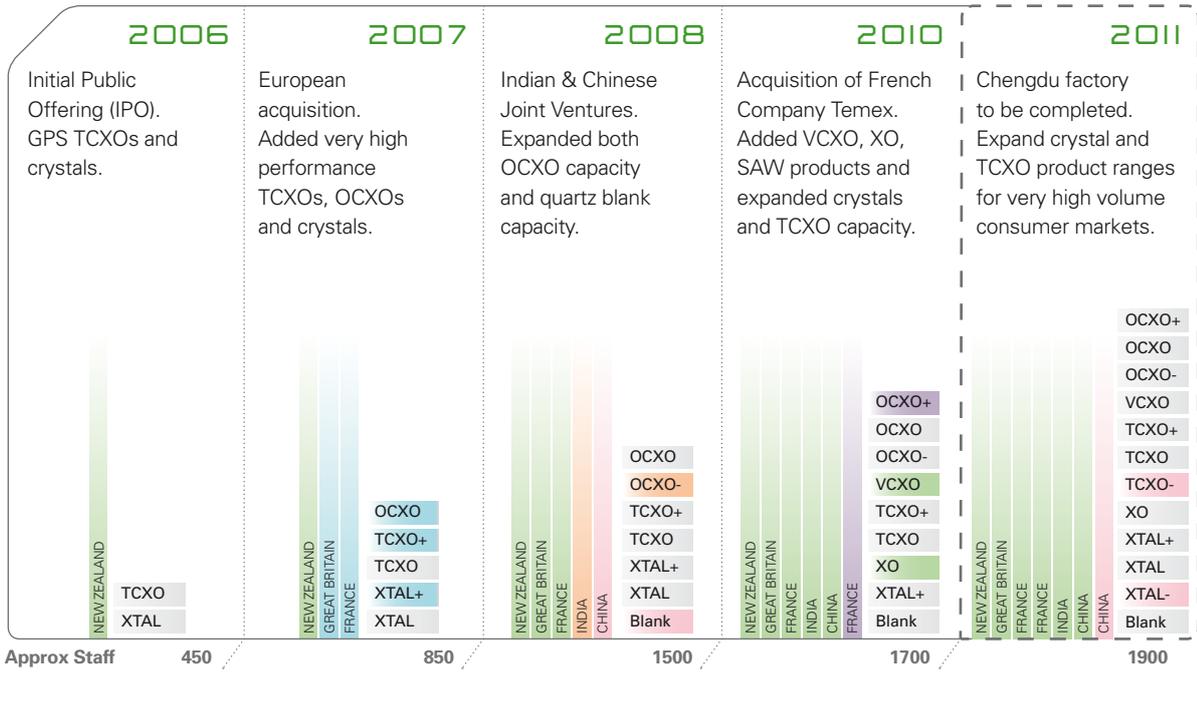


Operating Cash

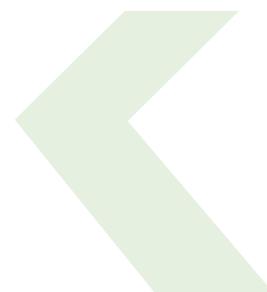


BUILDING A GLOBAL LEADER

Since 2006 Rakon has been developing from a small niche supplier to a global leader in frequency control and is well positioned to expand in the US\$3b frequency control market.



FINANCIALS



Income Statement

	Six Months ended 30 September 2010 (\$000s)	Six Months ended 30 September 2009 (\$000s)	Year ended 31 March 2010 (\$000s)
Revenue	94,597	72,212	144,513
EBITDA (look through)¹	13,518	(1,993)	5,940
EBITDA²	12,102	(2,938)	4,269
Depreciation, amortisation and share based payments	(4,714)	(3,926)	(8,653)
EBIT	7,388	(6,864)	(4,384)
Interest	311	(755)	(298)
Net (loss)/profit before income tax	7,699	(7,619)	(4,682)
Income tax credit/(expense)	(2,117)	1,463	(679)
Net (loss)/profit after tax	5,582	(6,156)	(5,361)

¹ EBITDA (look through) includes Rakon's share of EBITDA from associates and joint venture.

² EBITDA includes Rakon's share of net profit after tax from associates and joint venture.

Statement of Cash Flow

	Six Months ended 30 September 2010 (\$000s)	Six Months ended 30 September 2009 (\$000s)	Year ended 31 March 2010 (\$000s)
Net cash flow:			
- Operating activities	(5,991)	3,670	1,010
- Investing activities	(6,622)	(4,181)	(8,948)
- Financing activities	213	13,190	54,078
Net increase/(decrease) in cash and cash equivalents	(12,826)	12,679	46,140
Foreign currency translation adjustment	(1,703)	(892)	(2,253)
Cash and cash equivalents at the beginning of the period	45,881	1,994	1,994
Cash and cash equivalents at the end of the period	31,352	13,781	45,881

Balance Sheet

	As at 30 September 2010 (\$000s)	As at 30 September 2009 (\$000s)	As at 31 March 2010 (\$000s)
Current assets	135,496	85,589	123,585
Non-current assets	107,773	102,536	101,997
Total assets	243,269	188,125	225,582
Current liabilities	39,018	30,767	30,920
Non-current liabilities	3,834	3,684	1,718
Total liabilities	42,852	34,451	32,638
Net assets	200,417	153,674	192,944
Equity	197,806	153,794	191,308
Minority interest	2,611	(120)	1,636
Total equity	200,417	153,674	192,944

