

We are pleased to update our shareholders on a strong first half performance for the six months to 30 September 2021.

Rakon's growth momentum has accelerated over this period. Demand in our core markets has continued to grow, and we have captured new business opportunities stemming from worldwide TCXO¹ chip shortages.

Significantly, this growth was achieved during global supply chain disruptions and Covid-related challenges. We have adapted and scaled up our operations, worked closely with our partners and carefully managed our risks to ensure delivery.

We acknowledge the efforts of our thousand-strong Rakon team in achieving this performance. They have embraced the many opportunities and challenges with enthusiasm and commitment, and kept the company operating safely in a challenging global environment.

Revenue

\$85.4m*
▲ \$25.9m +43%

Underlying EBITDA²

\$26.4m
▲ \$15m +132%

Net profit after tax

\$18.9m
▲ \$14.3m +308%

Operating cash flow

\$4.5m
▼ \$3.4m -43%

Net cash/(debt)

\$3.6m
▼ \$1.4m -29%
vs. March 2021

* All figures are presented in New Zealand dollars unless otherwise indicated.

All comparisons are to the prior corresponding period (i.e. six months to 30 September 2020) unless otherwise noted.

Footnotes 1-5 are on page 5 of this document.

Financial overview

Rakon has reported an unaudited net profit after tax of \$18.9 million for the six months to 30 September 2021. This was 308% higher than last year's \$4.6 million, driven by strong revenue growth and gross margin improvements.

Revenue rose 43% to \$85 million, against \$59.5 million last year. In addition to the new business opportunities driven by worldwide chip shortages, all Rakon's core markets experienced underlying revenue growth, particularly in 5G networks (Telecommunications) and industrial applications (Positioning).

Gross profit was \$43.5 million, up \$16.4 million on last year. Gross margin percentage improved to 50.9% against last year's 45.5%, reflecting a shift in our product mix in the period towards higher margin products. Underlying EBITDA accordingly rose 132% to \$26.4 million for the period.

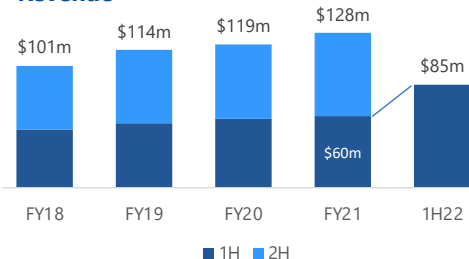
Rakon's balance sheet continues to strengthen, with total assets increasing to \$177 million, and the lift in earnings contributing to a 16% increase in equity since March 2021. We have also remained net cash-positive, with \$3.6 million in net cash at balance date.

Operating cash flow for the period was \$4.5 million, 43% below last year as the company increased its working capital to support its rapid growth and to help mitigate against supply chain risks.

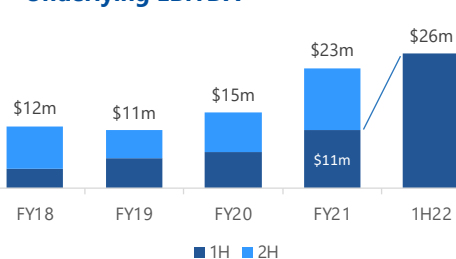
We will continue to maintain a conservative balance sheet as we further prepare to support growth opportunities, and are cognisant of ongoing risk around global supply chain, inflation and Covid-19.

The board has determined not to declare an interim dividend.

Revenue



Underlying EBITDA





Reframing our strategy

In recent months we have focused on improving the way we articulate our strategy to our stakeholders. This has included reframing our value creation model to better reflect the priority areas (or strategic pillars) critical to the creation of long-term value for Rakon.

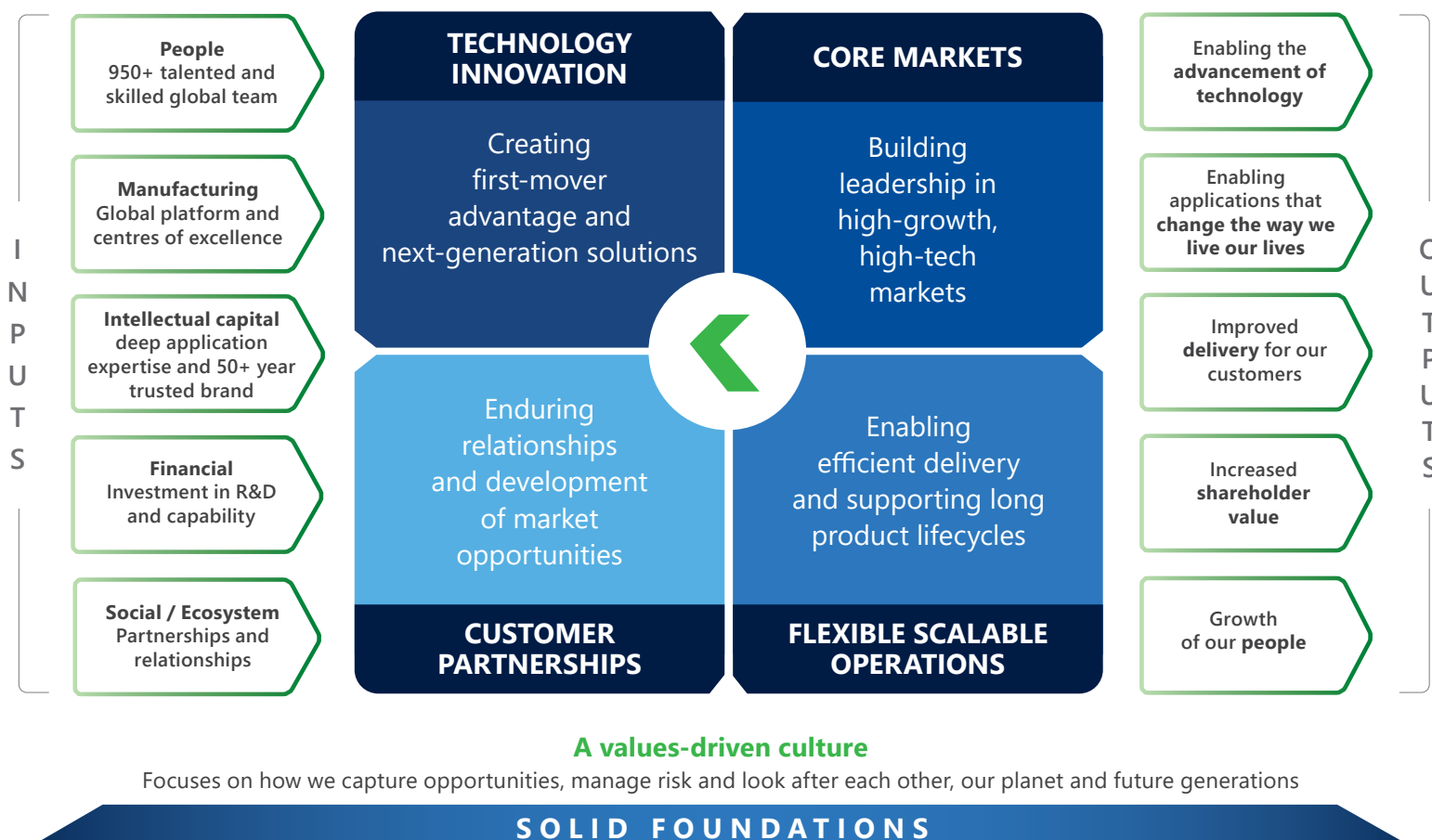
Equally important are the strong foundations required for our business – our values-driven culture; solid financial management; sound disciplines in managing risk and

capturing new opportunities; and an enduring commitment to looking after each other, the planet and future generations.

Reporting our progress

Progress against our strategy will, in future, be reported against each of our strategic pillars. This will help our stakeholders to understand the progress we are making in each area and how it will contribute to Rakon's overall success.

Rakon's strategy is to drive the advancement of precision timing and frequency control solutions in our core markets, and ensure long product lifecycles through operational excellence and enduring customer relationships.



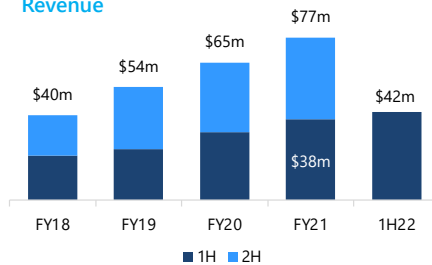


Core markets

Telecommunications

5G driving growth momentum

Revenue



Rakon's telecommunications products enable ever-increasing levels of speed and reliability which are critical to high-performance telecommunications and cloud computing infrastructure equipment.

Revenue grew 9% to \$42 million, generating 49% of Rakon's total revenue for the period. Higher revenue and an improved mix of higher margin products resulted in a 13% gross margin increase to \$18 million.

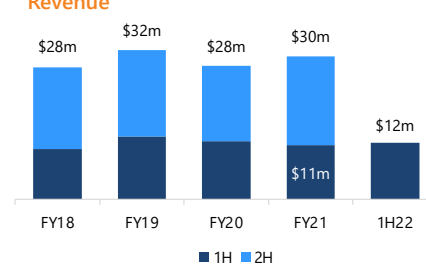
The steady growth of this market is being driven by the continued rollout of 5G networks. Our product leadership means that Rakon continues to be 'designed-in' to reference designs and a preferred supplier to Tier 1³ network providers.

During the first half we also celebrated two major design-in wins with new Tier 1 cloud computing customers.

Space & Defence

Emerging LEO satellite growth

Revenue



Rakon's space and defence products meet the most extreme environmental challenges and the most demanding performance expectations for applications such as satellites, ground stations, radar, aviation, communications and positioning systems.

We work with government agencies and commercial programmes in key markets to develop next generation solutions.

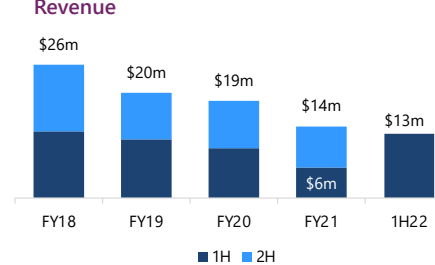
Revenue increased 4% to \$12 million, generating 14% of Rakon's total revenue for the period. Gross margins remained relatively consistent.

Growth is currently being led by increasing momentum in the low-earth orbit (LEO) satellite business, where Rakon is receiving funding from the European Space Agency to develop subsystems and modules for these satellites. The traditional space and defence markets have continued to perform steadily.

Positioning

Strategic shift gaining traction

Revenue



Rakon's positioning products are focused on achieving the highest levels of precision and accuracy in applications such as aircraft and marine navigation; automotive positioning; autonomous agriculture and mining; and emergency locator beacons.

Revenue grew 108% to \$13 million, generating 15% of Rakon's total revenue for the period. A significantly improved mix of higher margin products resulted in a 133% gross margin increase to \$7 million.

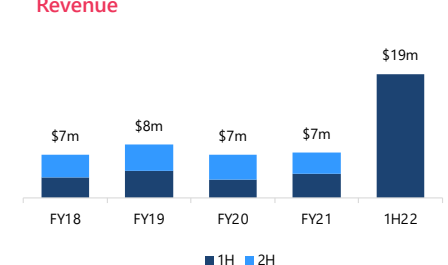
Positioning growth is currently being driven by a combination of core business growth and new business opportunities for our positioning products, stemming from global TCXO chip shortages. In our core business we are now seeing the benefits of our strategic shift to industrial applications and our focus is on building strong relationships with a number of Tier 1 equipment and machinery companies.

The TCXO shortage opportunities have enabled Rakon to build new customer relationships and develop some longer term business.

IoT, emerging and other

Worldwide TCXO chip shortage opportunity captured

Revenue



With our 50-year track record in innovation, Rakon continues to work with partners in cutting edge industrial applications such as wireless control, test and measurement, the Internet of Things (IoT), Machine-to-Machine, smart grids and metering.

Revenue grew 416% to \$19 million, generating 22% of Rakon's total revenue for the period. Gross margins also grew accordingly, to \$11 million.

This significant growth primarily arose from orders secured as a result of the global TCXO chip shortages for IoT devices.



Flexible scalable operations

Our global operations strategy focuses on building manufacturing scale at three sites, lengthening product lifecycles through low-cost manufacturing options, and mitigating supply chain risk through multiple sourcing.

The continued improvement in the capability and resilience of our operations has underpinned Rakon's strong half-year performance. Our New Zealand operation increased its average monthly throughput by 60% against FY2021, delivering record gross margins and providing a major capacity increase to enable the fulfilment of new orders.

Concurrently, our Indian and French operations matched forecasted revenues while demonstrating exceptional resilience throughout Covid-19 outbreaks.

Materials supply has remained extremely tight across the world, with extended lead times, price increases and continued market consolidation. Accordingly, capacity constraints, allocations and rising prices from suppliers have become the norm and we have worked extremely hard to overcome uncertainties around manufacturing capacity and the procurement of materials and parts. We have also worked successfully with customers to adapt design specifications in order to deliver.

Further progress has been made in the development of Rakon India's new manufacturing facility in Bangalore, with the purchasing of the land and the facility design in the process of being finalised.

Customer partnerships

As an approved supplier to the majority of Tier 1 companies in our core markets, Rakon has developed long and enduring relationships with major customers, international agencies and industry standards organisations. These partnerships are critical to our continued advancement of industry-leading technologies.

In recent months, our primary focus has been on delivering customer orders in a challenging supply chain environment. Through our multi-sourcing strategy and strong relationships, we have been able to work successfully with suppliers and customers to ensure delivery.

Product development work with customers is ongoing, and we were pleased to recently release new ultra-low phase noise TCXO and VCXO⁴ products for 5G small cells, as the result of a reference design partnership with a leading semiconductor player.

Rakon's active participation in industry standards organisations has also ensured that products are being developed to meet the ever-changing needs of our markets. A recent example is the development of grandmaster clock references necessary to support precision timing in 5G networks.

Technology innovation

Rakon's culture of innovation is delivering an increasing number of industry 'firsts', with our portfolio of patented products and technologies providing a competitive moat against commoditisation as well as delivering long product lifecycles and revenue streams.

We invested \$6.5 million in research and development during the half year.

A milestone was celebrated with delivery of new TCXO products developed in response to global chip shortages. The entire process from design to manufacture was completed in just three months – a real achievement for our team.

We were also pleased to achieve the successful design-in and adoption of two new product lines, being 5G millimetre wave radio heads and small cells (using major semiconductor reference designs); and the miniature Mercury OCXO⁵, which has been adopted by multiple Tier 1 customers.





Governance

Over the half year, the board has primarily focused on ensuring that management is well supported to deliver on Rakon's strategy, including the capture of growth opportunities and management of risk during a period of continued volatility and uncertainty. Health, safety and wellbeing of employees remains a priority as Covid-19 outbreaks continue to flare up around the world.

Development of a reporting framework for our Environmental, Social and Governance performance continued during the period. Rakon currently monitors and discloses a wide range of ESG measures as part of its contractual obligations to Tier 1 customers, and also requires the same of its own suppliers. We are committed to ensuring that the framework that we adopt is fit for purpose across our key stakeholder groups.

Board succession planning has been ongoing. In late September, directors were delighted to appoint and welcome Steve Tucker to the board as an independent director, and look forward to the considerable experience and expertise Steve will bring.

Summary and outlook

Rakon's ability to adapt, scale up its operations and manage supply chain risk have been key to this very strong first-half result. Demand for our products in our core markets has continued to grow, and our innovation and agility has enabled us to capitalise on new business opportunities stemming from worldwide TCXO shortages.

Our customer partnerships have also been instrumental in the successful development and adoption of new products as well as overcoming significant supply chain challenges during the period.

Looking ahead, we have orders in place to deliver further revenue growth in the second half, particularly in 5G telecommunications networks as well as completing delivery for some of the significant orders due to the worldwide chip shortage. However, there remains significant risk in securing raw materials and parts to meet orders, and these challenges still require management on a month-to-month basis.

Nonetheless, following a strong performance in September and October, and the consequent narrowing of the window of risk for the remainder of the year, the company recently announced a further upgrade in its earnings guidance for the year to 31 March 2022. As announced, Underlying EBITDA is expected to be in the range of \$44–49 million.

We are confident that Rakon will continue to perform well through the remainder of FY2022 provided we are able to manage the supply chain risks, maintain our manufacturing capacity and avoid Covid-19 related disruptions at our manufacturing sites.

Notes:

¹**TCXO: Temperature Compensated Crystal Oscillator.** A crystal oscillator with additional circuitry to remove frequency variations due to temperature change.

²Refer to note 5 of the FY2021 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.

³**Tier 1** customers: recognised key players within their respective industries, that make up a significant market share.

⁴**VCXO: Voltage Controlled Crystal Oscillator.** A crystal oscillator with an adjustable output frequency.

⁵**OCXO: Oven Controlled Crystal Oscillator.** A crystal oscillator that uses a miniaturised oven to keep its internal temperature constant.



Enabling the connected future

www.rakon.com