Financial Results & Business Update
HY2020 (6 months to September 2019)

Enabling the Connected Future
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HY2020 Financial Key Points
HY2020 Key Points

Revenue of $56.9m vs. $53.3m in HY2019
- Telecommunications continues to grow, up $7.9m
- Global Positioning and Space & Defence both lower, down $1.7m and $1.1m respectively

Net profit after tax of $1.3m vs. $2.0m in HY2019

Underlying EBITDA\(^1\) of $6.9m vs. $5.9m in HY2019
- Includes one-off impact of $1.5m from new lease accounting standard (NZ IFRS 16)
- Excluding this one-off impact, like-for-like Underlying EBITDA is $0.5m lower at $5.4m

Notes:
All figures are presented in New Zealand dollars unless otherwise indicated
\(^1\) Refer to note B1 of the HY2020 unaudited consolidated financial statements for an explanation of how ‘Non-GAAP Financial Information’ is used, including a definition of ‘Underlying EBITDA’ and reconciliation to net profit after tax
HY2020 Key Points

Contributing factors to the movement in net profit

- Flow through of higher revenue at gross margin percentage of 46.1%
- Share of Thinxtra’s losses no longer included
- Higher costs from:
  - Rakon India integration costs (legal, consulting and higher headcount)
  - R&D and other expenses (time on product development, higher costs to build prototypes, higher headcount and wage inflation)
  - FX gain in prior year wasn’t repeated; impact of higher borrowings in foreign currency
  - Interest on higher average borrowings

Half-year on half-year $0.7m movement in net profit explained

<table>
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<tr>
<th>Component</th>
<th>HY19 Net</th>
<th>Gross Margin</th>
<th>Thinxtra</th>
<th>Rakon India</th>
<th>R&amp;D and Other Expenses</th>
<th>FX Gains/Losses</th>
<th>Interest</th>
<th>HY20 Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.0</td>
<td>$1.7</td>
<td>$0.2</td>
<td>$(0.9)</td>
<td>$(0.6)</td>
<td>$(0.6)</td>
<td>$(0.3)</td>
<td>$1.3</td>
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</table>
# HY2020 Key Points

<table>
<thead>
<tr>
<th>NZD Millions</th>
<th>HY2020</th>
<th>HY2019</th>
<th>$ change +better</th>
<th>-worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>56.9</td>
<td>53.3</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>26.3</td>
<td>24.6</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>25.1</td>
<td>23.5</td>
<td>-1.6</td>
<td></td>
</tr>
<tr>
<td>Underlying EBITDA¹</td>
<td>6.9</td>
<td>5.9</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>4.3</td>
<td>2.8</td>
<td>-1.5</td>
<td></td>
</tr>
<tr>
<td>Net profit/(loss) after tax</td>
<td>1.3</td>
<td>2.0</td>
<td>-0.7</td>
<td></td>
</tr>
<tr>
<td>Earnings (cents per share)</td>
<td>0.6</td>
<td>0.9</td>
<td>-0.3</td>
<td></td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>3.4</td>
<td>(3.4)</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>3.0</td>
<td>2.1</td>
<td>-1.0</td>
<td></td>
</tr>
<tr>
<td>Net debt</td>
<td>7.6</td>
<td>3.9</td>
<td>-3.8</td>
<td></td>
</tr>
<tr>
<td>Shares on issue at balance date (millions)</td>
<td>229.1</td>
<td>229.1</td>
<td>-</td>
<td></td>
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</table>

Notes

¹ Refer to Note B1 of the HY2020 unaudited consolidated financial statements for an explanation of how ‘Non-GAAP Financial Information’ is used, including a definition of ‘Underlying EBITDA’ and reconciliation to net profit after tax

- Depreciation higher with NZ IFRS 16 Leases
- Operating cash flow includes $1.5m impact from adoption of IFRS 16 Leases and lower growth in inventory vs. prior half year
- Capex in line with expectation, variance due to phasing of spend, prior half year had significant spend in H2
- Net debt higher from inventory and capex growth
HY2020 Key Achievements
HY2020 Key Achievements

Telecommunications segment growth
- 5G demand starting to generate revenue
- New products delivered out of NZ
- Half-year on half-year volume growth in India

Rakon India now fully integrated into the wider group and operating independently with its own management structure

Quartz MEMS development completed; registered XMEMS™ and now ready for deployment in high performance TCXO and OCXO products
Market Update
Telecommunications

Update

- USD revenue is up 25% on the same period last year
- Deliveries of new products from Rakon NZ into 5G Remote Radio Heads has gathered momentum in Asia, resulting in revenue growth when compared to HY2019
- Revenue from products for network equipment grew 50% compared to HY2019
- 4G & 4.5G mobile base station business has slowed, impacting Rakon India which is down HY2020 vs. HY2019

Outlook

- Expecting 4G & 4.5G mobile base station demand to be down in the second half, but expecting 5G base stations to start deploying in Q4 of FY2020
- Markets in Asia still leading 5G deployment. Other regions are expected to ramp in the first or second half of next calendar year
- Rakon has increased market share with all Tier One customers and is well positioned for next calendar year
- Core network infrastructure to support 5G synchronisation standards will continue to grow, with increased demand for products from both Rakon India and Rakon NZ
Global Positioning

Update

- Overall Global Positioning revenue was down 15%
  - Less demanding specification requirements has resulted in Rakon shedding some of its high volume GNSS business
  - Industrial high precision GNSS has also been down with demand from the heavy equipment industry in decline in the US, in line with global uncertainty
- Emergency beacon market revenue was up 40% vs. HY2019, with a new frequency requirement now being introduced and deployed

Outlook

- Competitive pressure from low-cost GNSS module makers in Asia, will increase price pressure in the high volume market
  - With Rakon’s focus on preserving margin, top line revenue may decline further
- The emerging autonomous car market is bringing new applications and opportunities for Rakon’s technology and products
Space & Defence

Update

- Combined revenue for Space and Defence was similar to HY2019
- Space revenue was up, with a significant delivery into China for the first phase of products for Low Earth Orbit (LEO) satellites, indicating the potential of this ‘New Space’ market
  - Space revenue (USD) grew 19% for products out of Rakon France
- Defence revenue (USD) was down 10% for products out of Rakon France and Rakon NZ
  - Mainly due to less demand from the US

Outlook

- Demand for traditional geostationary satellites is expected to weaken as market segments transition toward LEO satellites
- FY2020 Q4 deliveries from Rakon France are expected to be high, in line with yearly trends and are needed to meet the full year result forecast
- Defence spending in the US is predicted to be stronger in the second half of FY2020
- Rakon India is positioned well to continue growth, with localised supply into the Space and Defence market in India, but it will take time to materialise
Q&A
Closing Comments and Outlook
HY2020

- Overall revenue and margin growth
  - Underpinned by strong volumes in Telecommunications
- Rakon India now independently operating from former JV partner
  - A number of one-off costs in first six month period

Closing Comments

- Final payment to former JV partner for Indian operations
- Delays in 5G roll-out disappointing but dominant share allocations from key Tier One customers for next calendar year
- Key focus is on production efficiencies and expanding capacity for new 5G products