

**RAKON MARKET UPDATE****6 SEPTEMBER 2013 (RAK)**

Following announcements on 5 July and 13 August, that Rakon is to sell an 80% equity interest in its subsidiary Rakon Crystal (Chengdu) Co. Ltd (“RCC transaction”) subject to completion conditions, the impact of the transaction and other trade related performance is anticipated to result in a reported Net Loss after Tax of \$54 million for the year ending 31 March 2014.

The anticipated Net Loss is expected to include \$37 million of investment & asset impairments relating to the RCC transaction and other assets, with the remaining \$17 million coming from trading results. The trading result is forecast to carry \$7 million in one-off costs for operational readjustments. The adjusted trading result of a \$10m Net Loss compares to FY13 of a \$12m Net Loss, largely a result of residual involvement in the Smart Wireless Device market.

Rakon expects 2014 EBITDA to trade in the range of \$4m to \$7m further adjusted for one-off costs, giving a final EBITDA guidance range of -\$3m to \$0. Guidance is based on provisional estimates of one-off costs associated with various structural realignment initiatives to be completed over FY14 and are subject to change.

Following completion of the RCC transaction, debt is expected to reduce below \$10m by the end of FY14. Due to tight timelines finalising the completion of the RCC transaction by 30 September, Rakon’s bankers have agreed a movement of its 30 September debt reduction covenant to 31 October as a precautionary assurance. Rakon’s current expectation is to complete the transaction on 30 September and meet the previously set covenant timeline for debt reduction.

The structural and operational changes being undertaken, while significant, allows Rakon to ensure its efforts are focussed upon those parts of the business where we have excellent market shares, growth opportunities and stronger profit margins. The Rakon Board has initiated these changes with the direct intention to return to profit during FY15.

Following the completion of the planned changes, it is anticipated that the FY15 EBITDA range will be \$10m-\$15m.

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