

RAKON LIMITED

MINUTES OF THE ANNUAL MEETING HELD ON THURSDAY 11 SEPTEMBER 2008, AT 2 PM AT THE ASB CLUB LOUNGE, LEVEL 5, ASB STAND EDEN PARK, AUCKLAND

PRESENT:

Mr. B Mogridge (BM)	Chairman
Mr. B Irvine (BI)	Director
Mr. W Robinson (WR)	Director
Mr. B Robinson (BR)	Managing Director
Mr. D Robinson (DR)	Director
Mr. P Maire (PM)	Director

IN ATTENDANCE:

Mr. G Leaming (GL)	CFO, Company Secretary
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INTRODUCTION:

The Chairman opened the meeting, welcoming shareholders, noting that the meeting was properly convened, notice of meeting duly given and that a quorum was present. The Chairman then introduced the Directors and CFO to the shareholders. The Chairman explained that the Notice of Meeting contained the business to be dealt with in the meeting.

APOLOGIES:

None noted.

PROXIES:

The Chairman advised that 225 shareholders represented by 82,293,886 shares were represented by proxies.

MINUTES OF PREVIOUS MEETING:

The Chairman noted that the minutes of the previous Annual Meeting were confirmed and signed as a true and correct record at the Directors Meeting that followed the Annual Meeting. The Chairman noted a copy of these minutes was available for inspection by shareholders if required.

ANNUAL REPORT & FINANCIAL STATEMENTS

The Chairman confirmed the Annual Report was mailed to shareholders on 4 July 2008 and noted it would be taken as read.

The Chairman then addressed the Meeting, noting the following key points:

- The financial results for the March 2008 year; the Board would have liked better than the 26% EBITDA improvement achieved but given the high NZ\$ and underperformance in France it was a commendable effort.
- The global economic environment had worsened since the same time in the previous year and that this would provide a headwind for fiscal 2009 and it was uncertain for what period beyond.
- Retracement in the NZ\$ gave Rakon an opportunity to benefit somewhat in the short term as cover had been maintained at the low end of policy range. In the long term a weaker NZ\$ would provide significant earnings impetus.
- The new JV with Centum Electronics was progressing well and whilst result would not be instantaneous it gave Rakon the opportunity to grow the OCXO business profitably.
- Progress was being made in improving production efficiencies in France and focussing the business on R&D and niche high specification product.
- UK business going well, exciting engineering developments, and non-core trading business sold.
- Rakon's global footprints established or being built: R&D in France, UK and NZ; High quality and high volume manufacturing in NZ; high quality and high value in UK and France; high quality and low cost in India and China. Also a global sales and business development team in place.
- Rakon's strategic direction closely aligned with speed and people wanting to do more in less time. Enhanced functionality drives manufacturers to use higher specification products that are Rakon's specialty.
- Rakon is confident in its strategic direction, its investments and its developing team to generate a long staying profitable business.
- Rakon is well positioned and ready to fight for market share.

The Chairman concluded by thanking the team at Rakon for their commitment and achievements and to the shareholders for their continued interest and then invited the Managing Director to address the shareholders.

The Managing Director noted the following key points:

- Weakening consumer and commercial markets were impacting on business and there was no likelihood of any near term abatement.
- NZ sales volume is expected to be up 20% on FY08; leadership position with large customers retained and they are growing strongly but slower than previously expected. Sales to smaller customers less robust.

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- UK business centred on Pluto based product performing well. Total sales volume is slightly up, but mix is much improved delivering higher than expected results.
 - Indian JV operational and ramp up inclusive of requalification of products expected to be largely complete by end of FY09. First half production manufactured in France but volume down meaning aggregate of France and India will be below expectations for FY09.
 - Softening NZ\$ providing some offset to slower markets. 60% of second half of FY09 covered at average rate of 72 cents.
 - FY09 EBITDA expected to be in middle of brokers' range of NZ\$23.5 to NZ\$34.4 million assuming spot rate of 68 cents realised on unhedged exposure.
 - Demand for TCXOs used in GPS increasing as applications still emerging. Rakon success with product size, cost and performance mean customer retention excellent and opportunity to capture growth very good.
 - Increasing demand for TCXOs in GPS enabled cell phones – expect rapid growth over next 3 years. Rakon has strong engagement with handset and chipset manufacturers so well positioned to capture share.
 - Many more opportunities remained for GPS – geotagging, femtocells, etc.
 - Broadened strategic platform of products and markets with stronger exposure into telecom infrastructure, aerospace and emerging wireless to complement leadership in GPS.
 - UK has advanced design facility and manufacturing that is capturing the emerging Femtocell market.
 - French will focus on design and development of OCXOs plus manufacture of SC crystals and very high specification OCXOs. India provides low cost platform and access to engineers and a massive growing market.
 - 70% share in JV in China to specialize in high spec TCXOs and crystals for GPS into cell phones. Also 40% in JV partners existing business who are the world's leading manufacturer of crystal blanks. Rakon is in the final stages of designing a new manufacturing facility to house both JVs.
 - Combination of JV approach in India and China and IP and innovation from NZ and Europe give Rakon exceptional platform to service the market opportunities.

The Chairman then called for any questions on the Annual Report and financial statements.

Oliver Saint (proxy holder for New Zealand Shareholders Association) asked if the Board was monitoring the status of Rakon's imputation credits. The Chairman responded that this was consistently monitored, a bonus issue could be used if necessary to distribute, given Rakon's current position that the growth opportunities encouraged that cash be reinvested into the business. There was no immediate risk over the imputation credits becoming ineffective.

ELECTION OF DIRECTORS:

The Chairman confirmed that no notice of nomination of any other person for the position of director had been received and that in accordance with the NZX Listing Rules he (Bryan Mogridge) and Darren Robinson retired by rotation but being eligible offered themselves for re-election.

The Chairman briefly outlined his credentials for the shareholders consideration noting his position on the Board of Pyne Gould Corporation and Mainfreight and the fact he had been a public company director since 1984. He further noted he now served as Vice Chairman of UBS New Zealand and served on a number of other private company Boards. The Chairman then asked Bruce Irvine as Independent Director to deal with his re-election

Bruce Irvine advised 82,281,652 directed and discretionary proxies would be voted in favour of the re-election of Bryan Mogridge and 12,234 proxies against.

Bruce Irvine moved that Bryan Mogridge be re-elected as a director of Rakon. A shareholder (Oliver Saint) from the floor seconded the motion. No questions were received from shareholders with respect to the motion.

Bruce Irvine called for a show of hands. There were no dissenting shareholders. Bruce Irvine declared the motion to re-elect Bryan Mogridge carried.

The Chairman then asked that Darren Robinson outline his background. Darren Robinson explained his executive responsibility for sales and marketing, his involvement with the company since 1990 and both the privilege he had to serve the shareholders along with the knowledge and experience he could contribute to the strategic direction of Rakon.

The Chairman advised 82,282,652 directed and discretionary proxies would be voted in favour of the re-election of Darren Robinson and 11,234 proxies against.

The Chairman moved that Darren Robinson be re-elected as a director of Rakon. A shareholder from the floor seconded the motion. No questions were received from shareholders with respect to the motion.

The Chairman called for a show of hands. There were no dissenting shareholders. The Chairman declared the motion to re-elect Darren Robinson carried.

APPOINTMENT OF AUDITORS:

The Chairman noted that pursuant to section 200 of the Companies Act 1993, PricewaterhouseCoopers were automatically reappointed as auditors for the ensuing year. The Chairman explained that the proposed resolution was required to authorise the Directors to fix the auditors remuneration pursuant to section 197(a) of the Companies Act 1993.

The Chairman advised 82,293,886 directed and discretionary proxies would be voted in favour of the resolution and nil proxies against.

The Chairman moved that the Directors be authorised to fix the auditors remuneration pursuant to section 197(a) of the Companies Act 1993. A shareholder from the floor seconded the motion. No questions were received from shareholders with respect to the motion.

The Chairman called for a show of hands. There were no dissenting shareholders. The Chairman declared the motion carried.

GENERAL BUSINESS:

The Chairman called for shareholders to raise any other matters. Several questions were raised:

- Oliver Saint provided a brief overview of how the shareholders he represented perceived Rakon. Mr Saint stated they bought shares because Rakon was a growth company and did so not expecting a dividend for 4 or 5 years. However he observed that in many instances exceptional companies could not deliver on projected performance and that was a concern held by shareholders with Rakon. He further noted he did not satisfactorily understand Rakon's market share across the markets it sold into. He noted shareholders patience was limited and they were concerned about growth and that if it were not to be achieved that they wanted a dividend. The Chairman responded that Rakon has a history of growth in GPS (45% in FY2008) and had moved to diversify its revenue base by acquisition. The Chairman highlighted the deep relationships Rakon has with the engineering groups of its customers. The Chairman further highlighted that the move into China and India was not only for cost but to access a market of 2.5 billion people. Collectively over the last 18 months Rakon had established critical footprints to deliver growth and dividends in the future.
- A shareholder expressed strong doubt over the purchasing power of the Chinese consumer meaning that the addressable China and India market was substantially smaller than 2.5 billion people. The Chairman agreed that not all 2.5 billion were immediate consumers but that nonetheless the market was massive and asked Brent Robinson to give this some context.

Brent Robinson noted that China and India were investing in people and infrastructure for the longer term and that personally he was astounded on his regular visits to China at the visible increase in the wealth of people and the number of them. He commented Rakon's investment in China was to capture market and cost benefits and further noted that western world expenditure on infrastructure was likely to be limited in the near future in comparison with China and India so these were markets Rakon needed to be in. Darren Robinson also noted the size of the Chinese market for locally manufactured and branded cell phones was massive at 20 million units per month.

CLOSURE:

The Chairman thanked the shareholders for attending and then there being no further business the meeting closed at 2.45 pm.

Signed as true & correct record.



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Chairman