MINUTES OF THE ANNUAL MEETING
HELD ON FRIDAY 14 AUGUST 2009 AT 2.00PM
AT THE COLE THEATRE
WAIPUNA HOTEL & CONFERENCE CENTRE

Present:

Mr. B Mogridge	Chairman
Mr. B Irvine	Director
Mr. B Robinson	Managing Director
Mr. W Robinson	Director
Mr. D Robinson	Director

In Attendance

Mr. G Leaming	COO/CFO

Apologies:

Mr. P Maire	Director

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 and advised that Mr Peter Maire gave his apologies, explaining that Mr Maire was not able to attend the ASM due to his Knighthood taking place in Wellington. The Chairman advised that the Notice of Meeting contained the business to be dealt with in the meeting.

Proxies:

The Chairman advised that 303 shareholders represented by 84,264,814 shares were presented 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 first Board Meeting that followed the Annual Meeting. The Chairman noted that a copy of these minutes were available for inspection by shareholders if required.

Annual Report and Financial Statements:

The Chairman advised that this year Rakon followed the provisions of the Companies Act and instead of mailing the full Annual Report to shareholders instead mailed a condensed Letter and that shareholders wanting to receive the full annual report were able to do so by returning a notice of election or by viewing the annual report on our website. He advised that approximately 10% of shareholders requested the full annual report and that we should regard the Annual report as taken as read.

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➢ Chairman's Address:

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

- The Company's financial results for the year ending March 31st 2009 reflected the very difficult global economic conditions, delivering an EBITDA of $18.5m which was close to most commentators expectations. Also, importantly the operating cash flow generated was $16.6m, highlighting the team's good control of assets and costs.
- Rakon's clear strategy for significant growth over the next 5 years in two very broad directions: GPS based products and Telecommunications Infrastructure. He noted lead times from testing, approving and specifying our chips until final products hit the market, can take up to 3 years meaning the consequent revenue growth in FY10 would be small and much more significant in FY11.
- Traditional GPS markets we have been under price pressure both at the retail level and from our Japanese competitors discounting to try and gain share. Rakon is remaining competitive and have largely met their prices where necessary. This has impacted on Rakon profitability which will be mitigated with new advanced products under development.
- GPS is now migrating into mobile phones; a category the market calls smart phones. This is expected, next year, to represent just over 10% of all 1.2 billion mobile phones produced annually. Rakon expect this migration to continue until almost all mobile phones have a GPS in them, just like most mobiles today have a camera. GPS in phones will have more uses than just checking your location on a map, for example they will enhance social networking by enabling people to know where their friends are and vice versa.
- Rakon's OCXOs, VCXOs and High level TCXOs are an integral part of this new development in most countries now. The Shareholders Review sent in June includes a very useful chart on page 19 which explains very simply where all of Rakon's products fit into the various marketplaces, their value volume and performance relationships and where they are manufactured.
- Manufacturing facilities around the world are producing very well and the capacity constraints we had in France have now largely been overcome with the integration of our JV in India. Rakon expects the aggregate of this business to become profitable on a run rate basis in the latter part of this year.
- Rakon's JV in China with Timemaker is performing well with sales volumes reaching new highs and profitability good. Timemaker will be Rakon's partner as we continue to expand in China and move more of our high volume manufacturing to that part of the world.
- The NZ Dollar. The Chairman noted that New Zealanders were looking for an export led recovery to get the country out of its current malaise and build a base for sound future economic growth. He further noted that this needed to come from a wide range of products to diverse markets, balancing reliance upon traditional agricultural commodities. He noted extreme volatility of the currency made it doubly difficult to make sound strategic decisions about the future and that country needed to bring some stability and find new and New Zealand focused solutions.
- Rakon is in good health strategically; all operational points are performing well and gaining constant improvement. Another year of modest results will be endured but following that shareholders should be able to look forward to an upturn based upon growing markets and our strong presence in them.

The Chairman concluded by paying tribute to the Managing Director and his world wide team for the large contribution they have made over the past year noting that they have remained positive in the midst of continual economic challenge and kept the new ideas rolling and the plans moving.

He then thanked the shareholders for their attention and invited Brent Robinson to address the shareholders.

Managing Directors Address:

The Managing Director noted the following key points

- That this time last year he highlighted that weakening consumer and commercial markets were impacting our business. The events that then unfolded in October and November last year impacted on not only Rakon, but also on just about every other business in a far more drastic manner than anyone could have anticipated. He noted that twelve months on the level of demand across all parts of Rakon’s business had returned quite quickly with sales volumes equal or greater than the levels of the same time in the prior year, before the economic crisis took hold.
- He noted that whilst the there are divergent views on the sustainability of the economic recovery and how the next few years will play out, the markets in which Rakon operates have some unique features which provide Rakon real growth opportunity, and are to some extent immune to the broader economic conditions.
- The growth of Rakon over the past decade has been based on the emergence of GPS into consumer applications, such as personal navigation devices, which has grown to a market size of around 40 million units per annum. The much anticipated move of GPS into the phone market is taking hold as volumes are beginning to grow significantly. Independent reports project that in 2009 sales of mobile phones incorporating GPS will exceed 135 million units, which is 12% of the projected total sales of mobile phones. By 2014 annual sales of phones incorporating GPS are predicted to exceed 750 million units presenting a massive market opportunity for Rakon.
- The GPS phone market is demanding in terms of technology and in terms of pricing - it is not enough to have just the best technology. Rakon is ready for the challenge to secure a significant piece of this market, and are confident of selling material volumes in the second half of this financial year.
- Additional new applications continue to emerge for the GPS function with the latest being the emergence of GPS as a feature in laptop and net book computers.
- Rakon's share in the telecommunications sector is growing on the back of products that are targeted for new applications, such as wireless communication and fibre optic networks - which help enable fast broadband networks so important in today's society. OCXOs designed in France and manufactured in our Indian JV, and TCXO's based on our proprietary Pluto IP manufactured in the UK, provides Rakon with a unique combination of leading product performance at a very competitive cost for this market.
- New proprietary manufacturing technology from NZ has been introduced into the UK manufacturing operation to enable Rkaon to ramp quickly for projected demand increases, particularly from the femtocell market. Dual manufacturing capability for this product has also been established in Rakon’s NZ facility.
- To further strengthen Rakon’s presence in the telecommunications market a VCXO product range in partnership with our Indian JV was being developed. VCXOs or voltage controlled crystal oscillators are another key component in telecoms hardware – Rakon’s expertise in TCXOs and OCXOs made this an attractive segment of the market for Rakon to target. Sample volumes from NZ are being shipped and volume production will begin in calendar year 2010.

The Managing Director closed noting he was confident Rakon is well placed to reap the rewards of continued endeavour and investment noting an excellent and world leading product range and a competitive manufacturing base, underpinned by innovative technology. He commented that the Rakon team is focussed on continuing to grow Rakon and his appreciation of their significant skill and commitment.

➢ Questions

The Chairman then called for any questions on the Annual Report and Financial Statements.

Election of Directors:

The Chairman confirmed no notice of nomination of any other person has been received and that in accordance with the NZSX Listing Rules Mr Warren Robinson and Mr Peter Maire retire by rotation and, being eligible offer themselves for re-election.

The Chairman advised that Mr Warren Robinson being eligible offered himself for re-election and advised that the Board was holding 84,244,346 directed and discretionary proxies which will be voted in favour of this resolution and 20,468 proxies against.

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

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

The Chairman advised Mr Peter Maire was also eligible and offered himself for re-election and advised that the Board was holding 84,029,700 directed and discretionary proxies which will be voted in favour of this resolution and 235,114 proxies against.

The Chairman moved that Mr Peter Maire be re-elected as a director of Rakon. A shareholder from the floor seconded the motion.

The Chairman asked if there were any questions:

Mr Oliver Saint, introduced himself and said that he was a little disappointed that Sir Peter was unable to attend and asked for the Chairman to confirm to all the reason that Sir Peter was not able to attend, because he very much would like to have asked Sir Peter a question regarding independent Non Executive Directors of which shareholders only have three on the Board.

The Chairman responded that Peter is really apologetic, he was in Wellington to be knighted by the Governor General. The Chairman said he was happy to take any questions and if he could not answer he would pass on to Sir Peter.

Mr Saint commented he was going to ask Sir Peter a question around IFRS-8 which is coming into operation with effect from year ends on or after 1st Jan 2009. Mr Saint noted that from this time the segment information which goes to the Board will also required to go on an annual basis on an annual report to the shareholders. Mr Saint's question to Sir Peter would have been as an Independent Non Executive Director would he please confirm to him that he would insist that no change be made or if there were there would be strong reasons to change the manner in which information is presently given by Management to the Board. Mr Saint noted further that he thought it important that given the small number of independent Directors that shareholders get to know them well and that the Annual Meeting is the only opportunity that shareholders get to speak to Non Executives. He noted that it might be very well that he is getting his knighthood but there is another very relevant meeting today and that is the one he missed, and that is very important.

The Chairman said he would definitely convey the comment. Asked if any other questions. To which there were none.

The Chairman asked for a show of hands. One dissenting shareholder raised his hand against the re-election. The Chairman declared the motion carried.

Appointment of Auditors:

The Chairman advised that Pursuant to Section 200 of the Companies Act 1993 PricewaterhouseCoopers are automatically reappointed as auditors for the ensuing year.

The Chairman explained that the proposed ordinary resolution is required to authorise the Directors to fix the auditors' remuneration pursuant to section 197(a) of the Companies Act 1993.

The Chairman advised 84,255,880 directed and discretionary proxies would be voted in favour of this resolution and 8,934 proxies against. The Chairman moved that the directors be authorised to fix the remuneration of the auditors for the year ending 31 March 2010. No questions were received from the 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 and noted that as the conclusion of the meeting shareholders would have an opportunity to view a small exhibition of Rakon's technologies and products where they could ask questions. He further noted that shareholders would be able to register for a tour of the Rakon's Auckland facility. Several questions were raised:

John Hawkins, proxy representative for the Shareholders Association and also a shareholder in his own right, thanked the Board for allowing a small stand outside the theatre for the Shareholder Association. From Mr Hawkins point of view listening to both the Chairman's and CEO's address, they talk about increasing to increasing volume of sales as the way forward. When he looks back on the results for the last few years, he noted increasing volume and revenue growth but that this had not translated into increased earnings and that in fact by any measure (EBITDA to revenue, NPAT to revenue and NPAT to total assets) profitability has reduced. Mr Hawkins asked what gave the Board confidence that they can turn things around by following the same strategy which has in fact given increasingly disappointing results over the past three or four years.

The Chairman advised he was happy to answer this, noting that it was useful to go back to when Rakon first listed. At that time Rakon was a company that was focussed on making TCXO's predominately directed to the GPS market, with a spread in retail and aerospace sectors. Rakon was concerned that the growth in this business whilst excellent meant an increasing customer concentration risk so it sought ways to leverage its expertise and spread risk. This culminated in the purchase of Frequency Control Products which had a plant and a design centre in the UK and another in France. This business was focussed on making products that largely went into the Telecom infrastructure space. We saw that as a space that was going to grow as wireless networks were built. The Chairman noted that growing use of mobile devices whether a netbook or mobile phone results in networks becoming clogged, much like having more cars on the roads. He commented that users experience this in NZ with cell phones dropping out due to network overload. Rakon considered the expected increase in absolute demand for data, plus speed and functionality provided an opportunity to spread its risk out in a number of places. Rakon also considered the mobile phone as a significant opportunity that technology alone would not allow Rakon to capitalise due to the labour costs necessary in NZ or Europe where we had plants. Rakon therefore began to move some of the production to Bangalore and develop relationships in China to enable production in this market too. If Rakon had stood still its position would have been quite serious because last year demand for personal navigation devices fell drastically.

The Chairman further noted that Rakon was reliant upon these new markets opening up for which there are lead-times something between 2-3 years from the time we start talking to engineers and designers to get the company into a footprint to deliver growth.

The Chairman summed up that the Board was confident about the strategy and that the things that have been causing problems in terms of profitability largely has been the rise and fall – largely rise in terms of value in the kiwi dollar. He noted it was is a complex issue, but doing everything in NZ does give risk in that regards is why we are doing more off shore. He also noted again that the Japanese manufacturers dropped a lot of their prices which Rakon had to meet to maintain market share and that this coupled with the kiwi that was hovering up at 70cents has not provided a very profitable position for Rakon to be in.

Another shareholder noted that Rakon had been going through a transitional period and repositioning itself in the market with the expectation of improving profitability but at the same time there had been substantial shareholder wealth loss. He asked what was the Board's current thinking on dividend policy, commenting that at the time of IPO there was some reservation about payment of dividends or really expounding any kind of policy. He asked if the Board was in a position to indicate given its expectation of improvements in this regard.

The Chairman explained that when we first Rakon launched its IPO, it said that we did not anticipate any dividends for some time on the basis that the company needed to grow and needed the capital to do that and noted that Rakon was very up front about that in its prospectus. He further noted he did not anticipate a dividend in the short to medium term but that at some stage Rakon would like to start to pay dividend. He commented In the meantime Rakon does have growth opportunities, and has been through a difficult economic patch, and will need its capital to grow before returning to the question. The dividend policy is discussed by the Board, it is reviewed it on an annual basis, but in the meantime it is not something that is available.

Oliver Saint made a further comment stating it was a very good question and that the Chairman had given a reasonable answer. Mr Saint said he would like to give Rakon a deadline of two years time. Mr Saint further noted the reason that he was very happy that dividends are not paid by normal growth companies is that they can use the money better than him. He further noted that this has not happened recently and it does not look as if it is going to happen next year. He closed by stating that the year after that he would be here, hopefully asking the same question that this last shareholder asked and expecting that the Chairman will have to acknowledge then that Rakon is not a growth company or if it is, it is not in the right country.

The Chairman accepted the challenge and commented that he must have heard the odd discussion around the board table and that he was happy for that question to be asked and accepted that the answer he gives will be given genuinely.

There were no more questions.

Closure:

The Chairman advised that the formal part of the meeting was concluded and declared the meeting closed at 2.45pm. He thanked the shareholders for their attention and attendance at the company's fourth annual meeting as a listed NZX company. He advised that refreshments were available in the Promenade room and that there was also a demonstration of Rakon's technology and staff available for any questions. He also advised that Rakon would like to provide the shareholders with an opportunity to come and view the Auckland operation and if interested to register their contact details.

Signed as true and correct record

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Chairman