

**MINUTES OF THE ANNUAL SHAREHOLDERS MEETING  
HELD ON FRIDAY 12<sup>th</sup> SEPTEMBER 2014 AT 2.00PM  
AT THE GUINEAS ROOM 1, 3<sup>RD</sup> FLOOR OF THE ELLERSLIE STAND  
ELLERSLIE EVENT CENTRE, REMUERA, AUCKLAND**

**Present:**

Mr. B Mogridge (BM)	Independent Chairman
Mr. H Hunt (HH)	Independent Director
Mr. B Irvine (BI)	Independent Director
Sir P Maire (PM)	Director
Mr. B Robinson (BR)	CEO & Managing Director
Mr. D Robinson (DR)	Director

**Apologies:**

Mr. W Robinson (WR)	Director
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***In Attendance***

Mr. S Bosley	Chief Financial Officer
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**Introduction:**

The Chairman of the meeting (BM) opened the meeting at 2:00pm, welcoming shareholders, noting that the meeting was properly convened, and that notice of the meeting had been duly given and that a quorum was present, then declaring the meeting open. BM thanked shareholders for their attendance and interest in Rakon as shareholders. BM then introduced the Directors and the CFO to the shareholders, noting that Rakon's director Mr Warren Robinson is an apology due to a long standing commitment overseas preventing his attendance at the meeting. BM advised that the Notice of Meeting contained the business to be dealt with in the meeting.

BM explained the voting process for shareholder and/or proxy holders, as well as advising shareholders that there will be opportunities to address the Board with questions during the meeting. Further, BM confirmed that voting on resolutions would be by a poll rather than by a show of hands.

**Proxies:**

BM advised that 188 shareholders holding 62,904,947 shares were represented by proxies.

**Minutes of Previous Meeting:**

BM noted that the minutes of the previous Annual Shareholders Meeting were confirmed as a true and correct record by the Board in a recent meeting. BM noted that a copy of these minutes were available for inspection by shareholders if required.

**Annual Report and Financial Statements:**

BM put forward the first item of business as being to receive and consider the Annual Report, including the financial statements for the year ended 31 March 2014 and the auditor's report. BM advised that this year Rakon again followed the provisions of the Companies Act and rather than mailing the full Annual Report to all shareholders, instead mailed a condensed Review Document to those

shareholders that elected to receive in that manner. 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 online at the Rakon website. BM commented that we should regard the Annual Report as taken as read.

## ➤ **Chairman's Address:**

BM addressed the shareholders on Rakon's 2014 performance and future strategy and outlook through his 2014 ASM Chairman's address. Refer to the NZX release statement – '2014 ASM – Chairman's Address'.

## ➤ **Managing Director's Address:**

BM then invited the CEO & Managing Director (BR) to address shareholders and provide a more detailed insight into Rakon's strategic direction and plans, through his 2014 ASM Managing Directors address. Refer to the NZX release statement – '2014 ASM – Managing Director's Address'.

## ➤ **Shareholder Questions:**

BM asked for shareholders to raise any questions on the Annual Report and financial statements, or in relation to the addresses by the Chairman and Managing Director:

Shareholder # 1 (David Appleby):

Q: Commented that net profit after tax is more significant as it's what we get a dividend from given the \$11 million of imputation credits. Can you give us some idea of what the net profit after tax will be for the current year.

A (BM): Confirmed that we were still expecting a small net loss for the year and it will be 2016 before we make a net profit after tax that is positive. Confirmed that we might be looking at 2017 for a dividend, but that no stake is being put in the ground re a date.

Shareholder # 2 (John Hyde):

Q: As Rakon has been significantly downsized in terms of your focus and your product range and your facilities and your staff numbers, and I congratulate you on that, is it also intending to downsize and refresh both the board and the senior management.

A (BM): Confirmed that there is one director less than before, as Peter Springford retired and we decided not to replace Peter. While we are downsizing to a lower size, I think the point that Brent made is very valid, is that we now want to do more with less. I believe we can actually start to grow from that base without actually adding a lot more people or facilities. Our goal is to grow.

Shareholder # 3 (Gerrard Pinn):

Q: At the end of the financial year you forecast that the debt would be between \$10-12 million. After that period you stated that it would then increase further to take into account the restructuring costs of closing down Lincoln. Can you just reiterate what the costs of that are and what our position is at the moment in terms of debt.

A (BM): We ended the year up with a net debt of about \$6.4 million. We are going to have to borrow, to finalise payment on planned restructuring costs. To offset that we have got a facility in Lincoln in the UK and also in France that we will sell which will return that amount of money. As a board we are committed to having a very low debt now, we believe that is the space that Rakon should be in and we just need to get over this hump of rationalisation.

Shareholder # 4 (Hayley Cheng):

Q: Commented that a number of companies are moving from Computershare to Links Services and they are cutting fees in the process.

A (BM): Confirmed that we have discussions with all our key advisors on price. BM also confirmed that we have asked our auditors to reduce their fees in the current year.

Shareholder # 5 (Simon Yu):

Q: In the telecom sector what percentage of the market share do you have.

A (BR): Confirmed that in the telecom sector, it depends which products, as in different product groups and different markets we have a different share. As an example, in the microwave segment we believe we have 60%-70% of the global market. In cellular phone base stations, we have probably around 30%-40% share, but we are taking market share in that area. In a new segment that is just beginning in telecom for small cells, we've got about an 80% share.

### Re-election of Directors:

BM confirmed that no notice of nomination to be a director for any other person has been received and that in accordance with the NZSX Listing Rules Mr Warren Robinson (WR) and Sir Peter Maire (PM) retire by rotation and, being eligible offer themselves for re-election. BM advised that each member up for re-election will have a brief opportunity to give the shareholders a summation of their background and why they're reapplying for re-election.

BM moved to the agenda item of WR's re-election, advising that the Board was holding 43,956,916 directed and discretionary proxies which will be voted in favour of this resolution and 8,840,383 proxies to be voted against. It was reconfirmed that voting is being undertaken by a poll today. Voting papers will be collected at the end of the meeting. BM moved a motion that WR be re-elected as a director of Rakon and a shareholder from the floor seconded the motion. BM then asked the audience if there were any questions relating to the re-election of WR.

BM confirmed WR to be an apology at today's meeting and that he has pre-recorded an address that he would like to give the shareholders and which is played to the shareholders supporting his re-election. WR's pre-recorded message is played to shareholders.

With no further discussion, BM put the motion to the meeting, by asking shareholders to mark their voting paper clearly indicating how they wish to vote.

BM advised Sir Peter Maire (PM) was eligible and has offered himself for re-election as a director. BM moved a motion that PM be re-elected as a director of Rakon and a shareholder from the floor seconded the motion. BM then offered the floor to Sir Peter who provided some comments supporting his re-election.

BM advised that the Board was holding 44,033,519 directed and discretionary proxies which would be voted in favour of this resolution and 8,762,280 proxies to be voted against. With no further discussion, BM put the motion to the meeting, by asking shareholders to mark their voting paper clearly indicating how they wish to vote.

### Appointment of Auditors:

BM 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 51,816,728 directed and discretionary proxies would be voted in favour of this resolution and 999,285 proxies voted against. BM moved a motion that the directors be authorised to

fix the remuneration of the auditors for the year ending 31 March 2015. The motion was seconded by a shareholder. No questions were received from the shareholders with respect to the motion.

## General Business:

BM explained that we have a constitution that allows for any items of general business to be put forward and that this is a time to raise questions of a general nature.

Shareholder # 6 (Tony O’Conner):

Q: Has the Board given any consideration or will it give any consideration in the near future to the possibility of cultural and gender diversity.

A (BM): Confirmed that we do give consideration to this. I think we are all of the view that what is important is to get the best person for the job. We are certainly open to suggestions if someone has got the skills that makes a difference.

Shareholder # 7 (Don Howarth):

Q: Commented over the appalling set of results that the board has presided over and that they needed to answer to this. Further commented that the board contained a number of people with research and development skills, but little in the way of financial clout. Further commented on the way that the board has paid the most senior executives in this company - over \$700,000 for the last two years for the two Robinsons, who are executive members of this team. That is gross payment for the results that you people have earned us. I think there is quite a lot to answer for there.

A (BM): Commented that the board contains a broad cross section of skills. Also commented that the pay that we provide to senior executives, on a global scale it is not out of alignment.

Shareholder # 8 (Paul Deveraux):

Q: I am just wondering about the innovation management process as it relates to the different product lines and wondering, Mr Chairman, if you could comment on whether you think that has been compromised by the downsizing and the redundancies.

A (BR): Commented that as we have downsized we haven’t cut back any of our R&D or engineering team. In the UK we have shut our facilities, but we have still got all our engineering team there. Similar in France when we have downsized and moved all our manufacturing to India, we have kept all our R&D engineers there.

A (PM): Commented that when we IPO’d, the company was really a business largely focussed on oscillators for GPS receivers, in a very narrow vertical. That particular product line was something that the company then focussed on and refined and it became the device in the cell phone. What then is probably less understood by the majority of the shareholders was the acquisitions that we then made, which were in the telecom space. Then later we acquired Temex in France which was very focussed on aerospace and military. We acquired some fantastic technology companies around the break-even point, but were very good at engineering. What we had to do was focus on holding those teams, particularly the one in the UK which is very much a silicon chip design team. This is the value that sits inside Rakon.

The management team have to get really focussed on making sure that this rich IP that we acquired in these companies, which as you can see now is in huge demand in the 4G roll out, which is what Brent and Darren and the team could see when they saw the opportunity, to convert that into marketable products that fits the telecommunications market. That is happening now.

Shareholder # 9 (Geoff Brophy):

Q: I would like to know when the board expects profitability. When are we actually going to make a profit.

A (BM): It is 2016 fiscal year when we should have a modest amount of after tax profit.

Shareholder # 10 (Hayley Cheng):

Q: Is the Lincoln office going to be sold in October this year, is that correct.

A (BM): Yes. What we said about October was everything that was in the UK will finally be shifted to New Zealand. We will have to await what happens in the real estate market for a sale to take place, but we have reasonable property assets (one in Lincoln and one in Argenteuil in France) that we intend to sell.

Shareholder # 11 (Gerrard Pinn):

Q: Is the problem with this company not a structural one but that making sales is actually your problem.

A (BR): We certainly did have a structural problem as we were carrying too many costs which we have been addressing. I believe we have got underlying revenue growth.

## Results & Closure:

BM confirmed the results of the voting on the resolutions put forward.

- Re-election of Warren Robinson: There were 74,960,425 votes for and 10,305,836 against, with 63,558 abstaining. BM confirmed WR as being re-elected.
- Re-election of Sir Peter Maire: There were 75,593,806 votes for and 9,599,865 against, with 136,148 abstaining. BM confirmed PM as being re-elected.
- Directors to fix the auditors remuneration: There were 84,225,463 votes for and 1,094,356 against, with 10,000 abstaining. BM confirmed the resolution as being approved.

BM referred shareholders to the forthcoming NZX announcement ('Rakon 2014 Annual Shareholders Meeting Voting Results') for the full details relating to the voting results. BM thanked the shareholders for their attention and attendance at the company's ninth Annual Shareholders Meeting as a publicly listed NZX company. BM then declared the meeting closed.

Signed as true and correct record

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Chairman