

RAKON LIMITED

CHAIR'S AND CHIEF EXECUTIVE'S ADDRESSES FOR RAKON LIMITED ANNUAL MEETING

7 AUGUST 2020

A. Chair's Address

Welcome to the 15th Annual Meeting of Shareholders of Rakon Limited. It is pleasing to see so many of you here today. My name is Bruce Irvine and I am Chair of the Board and will chair today's meeting.

I confirm we have a quorum for today's meeting and declare the meeting open.

The order of business for today's meeting is set out in the Notice of Annual Meeting which was sent to shareholders on 10 July 2020 and is summarised on the slide you can see behind me. You should also have received or had access to the Company's 2020 Annual Report and 2020 Review as released on 6 July 2020. If you have not been able to view either of these documents you can find them on our website or request a printed copy at any time.

We have a number of resolutions to address later in the meeting and shareholders may ask questions in relation to each resolution before it is voted on. There will be an opportunity for more general questions and comments about the business after the addresses from the Chief Executive and myself.

This meeting is being streamed via a live audio link with the presentation slides and we are making an audio recording of the proceedings of the meeting which will be available on our website soon after the meeting.

I will say a few words before handing over to our Managing Director and Chief Executive Brent Robinson who will talk about the business in more detail.

Firstly I would like to introduce my colleagues who are here on stage with me:

- **Brent Robinson:** Brent is our Managing Director and Chief Executive – Brent is well known to you all for his long experience and leadership of the Company.
- **Lorraine Witten:** Lorraine has been on the Board since March 2017 and chairs our Audit and Risk Committee. Lorraine has extensive governance, senior management and business experience in the technology and communications sector. Lorraine is standing for re-election at today's meeting.
- **Keith Oliver:** Keith has been on the Board since March 2017 and chairs our People Committee. Keith is a professional director and business adviser and has experience with New Zealand and international technology companies. Keith is standing for re-election at today's meeting.
- **Keith Watson:** Keith was appointed by the Board in September 2018 and elected to the Board at last year's Annual Meeting. Keith has local and international management and governance experience in engineering and technology businesses. Keith is a member of Rakon's Audit and Risk Committee.
- **Anand Rambhai Anand** is our Chief Financial Officer. Anand has been with Rakon for seven years including nearly two years as CFO.
- You will note our numbers here on stage are fewer than usual. Unfortunately due to the COVID – 19 pandemic Tony Tseng who is based in Taiwan is not able to join us today and nor are any of his colleagues. Tony, is the Chair of Siward Crystal Technology Company Limited and has been on the Board since March 2017. Siward is a substantial shareholder of Rakon. Tony is standing for re-election at today's meeting and has prepared a short address which we will read to you later in connection with the resolution to re-elect Tony.
- For myself – I have been on the Board since 2005 taking over the role of Chair in 2018. I am a former managing partner of Deloitte in Christchurch and a professional director with experience across a broad range of New Zealand companies.
- In the front row is our Company Secretary and in-house legal counsel, Maureen Shaddick. Maureen has been with Rakon for almost two years.

I would also like to acknowledge the presence of representatives of our auditor PricewaterhouseCoopers and the team from Computershare.

Computershare manages Rakon's share register and is responsible for managing and scrutineering the voting at today's meeting.

I am proud to be the Chair of Rakon Limited. Rakon is a globally recognised leader in the frequency control product industry. Rakon strives to anticipate the new and exacting requirements of ever-evolving technological developments and to meet the demands of key players in the Telecommunications, Space and Defence and Positioning sectors whose equipment requires timing and synchronisation.

In today's world where technological changes are occurring at an ever increasing rate this is an exciting but challenging industry to be part of.

SLIDE 3

Financial Snapshot FY2020

In the financial year ended March 2020, we built on the improvements recorded in the previous financial year. We delivered revenue growth and increased Net Profit and Underlying EBITDA¹ predominantly from growth in the Telecommunications sector. There has been a steady improvement in Underlying EBITDA¹ over the last four years as shown in the presentation slide. Your Board anticipates further improvement and is forecasting Underlying EBITDA¹ in the range of \$16 million to \$18 million for FY2021. Of course any forward-looking outlook for Rakon must be tempered by the uncertainties arising from the ongoing COVID-19 pandemic and the political volatility in our major markets which present risk for our operations and those of our suppliers and customers.

SLIDE 4

Strategy

During the last six months, a deep and extensive review of Rakon's strategy for its business and operations here in New Zealand and overseas has given the Board confidence that Rakon is well placed to respond to both the risks and opportunities in front of it. Efficiencies that deliver to the bottom-line have been identified, the Company is positioned ahead of its competition to gain from the roll-out of 5G by network equipment providers across the

¹ Refer to note 4 of the FY2020 audited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to NPAT

world and there are new opportunities on the horizon for further diversification and growth. In the Space market there is opportunity with the transition to low earth orbit satellites and in Positioning growth in demand for electric and autonomous vehicles provides further opportunity for Rakon's technology. Rakon will continue to play to its strengths in developing advanced technology for the exacting requirements of its Tier One customers and other strategic customers by leveraging off existing proprietary technology and accelerating the commercialisation of new leading technology.

This latest review of Rakon's vision and its markets, products and capabilities indicates Rakon is moving in the right direction.

This refreshed analysis supports the Board's view that it is not the time to be launching a sale process for the Company as some shareholders suggested earlier this year. Rakon is set to maximise its opportunities in the Telecommunications sector with its products designed into all Tier One players providing network equipment for the roll out of 5G. Together with a disciplined approach to the control of costs and inventory management, the stream-lining of capabilities across all of its global operations and partnerships, and prudent new investment the Board expects to see sustained growth in results and improved shareholder value.

Governance

The Board was busy in FY2020 and this has continued into the new financial year. We are committed to continuous improvement in our governance practices and seek to ensure there is relevant reporting, engagement, policy and procedure to support this commitment. In our Corporate Governance Statement in the 2020 Annual Report, you can read a detailed account of our compliance with the New Zealand Stock Exchange (NZX) Corporate Governance Code. Reviewed governance policies and guidance are available on our website.

In FY2020 we consolidated our risk management framework. As FY2020 came to a close our Crisis Management practices, which are a key part of that framework were well tested with the COVID-19 pandemic and restrictions. Scenarios and related response levels were quickly established to protect the health and safety of our people as the national and global risks arising from the pandemic evolved. The same approach was applied to sustaining the

business through the local and national uncertainties created as a result of the pandemic and the restrictions imposed by governments here in New Zealand and overseas.

All of Rakon's operations, including manufacturing, R&D, sales and administration across the globe were affected by the COVID-19 pandemic and restrictions and a large number of our staff agreed to take a 20% cut in their salary as we sought to manage the uncertainties arising from the pandemic.

After going in to lockdown Rakon New Zealand was recognised as an essential business as a key supplier of components for essential services and was able to restart subject to meeting strict health and safety requirements. Rakon India was also able to restart some operations during the lockdown imposed in India. Our French manufacturing was able to continue subject to being able to do so safely. These outcomes have helped Rakon get back to normal operating conditions sooner than would otherwise have been the case.

During the three months beginning 1 April 2020, the Rakon directors all took a 50% cut in their fees. However, they did not reduce their attention. There were nine meetings between the announcement of the lockdown in late March and the end of May to provide support to management and regular governance oversight of the business.

The Board and the whole Rakon team were deeply saddened by the passing of Warren Robinson in September 2019. Warren was the founder, former chair and director of Rakon. Warren's contribution to New Zealand's technology industry and his commitment and dedication over more than 50 years to this company was outstanding. Warren is remembered as a remarkable New Zealander and as a warm and generous leader.

I would like to thank the Rakon Executive and employees here in Auckland, in India, France and the UK and in our sales offices around the world for your commitment and hard work for Rakon. A special thank you to all our global team for their fortitude and resilience in facing the COVID-19 pandemic with a particular thought for those for whom the daily impact of the COVID-19 pandemic continues.

Also, thank you to our technology partners Siward who unfortunately cannot be with us here today but who continue to work closely with the Rakon team.

And thank you, to you our shareholders, for your continued support. As a Board we are very focused on acting in your interests and improving shareholder value and returns.

I now invite Brent Robinson to provide further commentary on the Company's performance and a business update.

B. Chief Executive's Review

SLIDE 6

FY2020 Financial Snapshot

It has been another good year for Rakon with the growth in revenue and NPAT and Underlying EBITDA steadily improving on previous years and we believe this positive trend should continue.

Recapping on the financial results for FY2020 announced on 29 June, revenue increased by \$5million from the previous year to \$119 million due to growth in the Telecommunications sector.

Net Profit after Tax was up by over half a million to \$4 million and reported Underlying EBITDA¹ improved by \$1.5 million from the previous year to \$14.8 million acknowledging this result included a one-off \$3.1 million due to the adoption of the new Accounting Standard in relation to Leases IFRS16.

Operating Cashflow of \$9.4 million was higher than the previous year largely because there was relatively lower expenditure on inventory.

SLIDE 7

Key Achievements

We were pleased to see Rakon awarded an increased share with major Tier One customers which is a good sign that our products and service are meeting the expectations of our customers.

Following the acquisition of our former joint venture partner in India and an extensive integration project, our operations in India are now fully embedded in our global manufacturing strategy.

As a result of the leading research and development by our teams, FY2020 saw the ramp up of the 5G deployment of the world's smallest OCXO known as Mercury+ and ultra stable TXCOs employing the Neptune and Kepler technologies we have developed.

Rakon's R&D team is also focused on developing products for the emerging 5GmmWave equipment, which is another feature of the transition to 5G networks.

While there is increasing competition from manufacturers using silicon, customers are still demonstrating preference for the quartz-based products.

SLIDES 8,9,10 and 11

XMEMS

Rakon has developed its proprietary photolithography process over the last decade and released XMEMS™ in FY2020. XMEMS™ is Rakon's advanced quartz-based resonator technology made with Rakon's NanoQuartz photolithographic microfabrication process on quartz wafers.

XMEMS™ enables industry leading products and performance and new products not possible with conventional mechanical processing methods. When coupled with Rakon's proprietary ASICs this enables unseen levels of performance and new applications. XMEMS™ technology will be deployed for high-end applications across all core industries we supply.

SLIDE 13

MARKETS

SLIDE 15

Telecommunications

In FY2020 there was growth in our Telecommunications revenue from increased sales to network equipment providers for the maintenance and upgrade of 4G networks and the roll-out of 5G networks.

There has also been strong demand in early FY2021 but delivery has been hampered by COVID -19 impacts on operations and logistics. Overall demand is expected to be up on FY2020 as 5G deployment has commenced but intensifying geopolitical tension and economic uncertainty appear to be slowing the pace of the 5G roll-out.

Rakon's products provide the precise timing and synchronisation that enables 5G to deliver significant improvements to existing applications like video streaming, and real time data transfer and downloading as well as many new applications that are not yet possible.

While COVID -19 must continue to be managed at an operational level and has presented economic challenges for infrastructure development, it has also demonstrated there is very real demand for the high-speed data that 5G allows. Rakon continues to have the lead on its competitors for the timing and frequency keeping technology required for these new network developments.

SLIDE 17

Space and Defence

In Space and Defence we believe Rakon remains well-placed to maintain its share of the market and we see opportunity for growth. Rakon's Space revenue was down in FY2020 predominantly due to the phasing of long-term contracts though European Space business was up with some of the traditional geostationary satellite business returning.

We continue to pursue opportunities for our technology including new product development and higher value subsystems in the New Space market where the transition to the use of Low Earth Orbit satellites is gaining momentum.

In Q1 we tracked at the same level for Space and Defence as last year but we are expecting revenue growth later in FY2021 including from our operations in India.

SLIDE 19

Global Positioning

In the Global Positioning sector, demand is increasing in high precision markets requiring low noise and excellent g-sensitivity to meet the exacting requirements for applications like autonomous vehicles. This new opportunity is a good sign as the commodified lower margin end of the Positioning business has begun to decline for Rakon.

Business for industrial high precision GNSS was flat in FY2020 but we saw revenue from the emergency beacon market grow.

In Q1 the impact of COVID-19 on the aircraft industry has resulted in lower Positioning revenue and lower demand is expected to continue until the avionics business returns to normal.

Rakon remains alert to new Emerging markets including electric vehicles and autonomous vehicles and the possibilities for medical related applications such as remote surgeries, all of which present challenging and exciting opportunities for our product development teams now and in the future.

SLIDE 20

Strategy

Over the last six months management and the Board have undertaken a detailed review of Rakon's Strategy. We believe it is important for Rakon to continue to play to its core capabilities

Key focus areas are:

Technology Leadership: Rakon has developed and seeks to maintain a strong in-house R&D and product management capability focused on developing new technology and products ahead of the competition and using its leading edge capability to move away from commoditised products. Rakon is investing in XMEMS™ and advanced ASICs for next generation requirements. Rakon's specialists seek to work closely with customer design teams, influence technology choices and demonstrate the benefits of innovations.

Operational Excellence: Operationally Rakon seeks to exploit highly efficient, lean, low cost manufacturing platforms where appropriate in the product life cycle. Rakon is focused on dual source supply of critical materials, sophisticated inventory management systems and applying total quality management throughout the product design and manufacturing phases.

People and Leadership: Rakon will foster a dynamic and responsive culture, cultivate innovation and develop succession. Rakon seeks to maintain a core centre of excellence and company-wide specialists with stream-lined organisational development, systems and processes.

SLIDE 21

Outlook and Closing Comments

Based on the demand we are seeing we expect the positive trend in performance over the last four years to continue in this financial year. COVID -19 has impacted FY2021 revenue but in the longer term demand for 5G business is still expected to grow.

With a refreshed strategy and confidence in our core capabilities Rakon is confident it is well positioned for the future.

Over the last decade, Rakon has built a strong position within the frequency control and timing industry and established an enviable global ecosystem of customer relationships that should see your Company perform well into the future.

SLIDES 22 TO 30 SHAREHOLDER QUESTIONS, RESOLUTIONS AND CLOSING

=====