

22 April 2005

## Media Release

**For immediate release**

### **Wellington Drive Technologies Ltd - Update**

Further to our recent Interim Report, we advise that the Northern Hemisphere spring has, as anticipated, resulted in a good level of orders, new enquiries and interest for standard Wellington products. Existing customers have continued to place repeat orders. This continuity is most welcome, and should help us forecast with more accuracy in the future. We have also very recently received a production order from J E StorkAir (Netherlands) for deliveries beginning in July 2005, following a lengthy period of testing which began in 2003. The forecast revenue from this order is EUR1.1 million over twelve months, with deliveries commencing in July 2005. Further new orders from other customers have also been received.

As noted in our Interim Report, we are substantially expanding the scope and scale of our contract manufacturing activities in Asia to meet existing and expected demand. The expansion is progressing according to plan, thanks to notable efforts by our Singapore partners and our own team. Work remains to be done, but the supply chain is expected to be fully complete by September 2005. We expect substantial working capital, production and delivery cost savings, when our products are fully built and sourced in Asia.

There continues to be a strong level of interest in licenses to produce Wellington motors. Most commonly the demand is for special "Total Integration" designs where a Wellington motor is embedded in the end product (as for Seeley, Arçelik and Aweco, and for other companies), although we are continuing to discuss licensing wider rights to industry leaders. Total Integration designs have excellent profit potential, both for Wellington and our licensees, over the medium term. However, concluding satisfactory agreements takes time, frequently significantly longer than either we, or our prospective licensee, have expected. Some of the negotiations we have been involved in over the past 9 months have changed into requests for supply of standard products first, with Total Integration to be re-visited later. Others, in both the USA and Europe are continuing, with timing and likely outcomes remaining difficult to predict.

Seeley International Pty. Ltd. has continued to enjoy a good level of sales for their evaporative air conditioner that uses a Wellington motor built under license. The financial returns to Wellington from Seeley's programme have, so far, been above expectations. We believe this demonstrates what can be achieved with Wellington technology by a competent and focused licensee.

Our programme with Arçelik (refrigeration compressors) is complete and being handed over to them in the week beginning 25 April. We have begun building some component stocks for Arçelik, to provide a buffer while the pilot production equipment we have built for them is shipped to Turkey. Pilot production will run there as Arçelik gears up for full production in 2006.



Aweco GmbH (Germany) has decided to make some changes to their dishwasher components that are based on our motors, following feedback from customers. A delay of six to twelve months is anticipated before their production starts.

The level of demand for standard Wellington products is most encouraging. It's also encouraging that companies who had been considering licenses are finding that in fact our standard products are satisfactory for now. However, as we have noted previously, there are costs involved in expanding our production capacity. We are still encountering exceptional costs for short notice production and delivery to new customers, although these costs are reducing. Our production team has made great efforts to stay sufficiently ahead of orders so that we can have stocks in place near customers. This has been happening in parallel with the preparations being made in Asia.

Although the outlook for deliveries, declining costs and future orders is excellent, we are still making expenditures associated with scaling up production, and we are still investing in our future product and technology portfolio. With ten weeks remaining this financial year, we don't expect these expenditures to be offset by licensing and contracted engineering revenues to the extent anticipated, so we currently expect to record a loss for the second half of the year to 30 June.

Overall, Wellington continues to make solid progress. Standard product sales levels are ramping up and the level of inquiry is accelerating. New and existing licensing/partnering programmes continue to progress. We anticipate that revenues will continue to grow and cost of supply of standard product will reduce, particularly as the Asian supply chain progressively kicks in.

For further information visit [www.wdtl.com](http://www.wdtl.com).

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