



Media Release

19 July 2005

For immediate release

Wellington Drive Technologies Ltd - July Update

The middle of the calendar year is an important time for us, as many of our Northern hemisphere customers and contacts make efforts to complete negotiations etc. before the peak of the summer vacation season in July and August.

Standard (Catalogue) Product Lines

Our established customers have shown pleasing levels of support for our standard products. All have continued to place repeat orders. This order flow has provided a good base load for our production team and has helped significantly in our drive to improve the efficiency of our supply chain and logistics. All our present customers are currently testing our products for introduction to other categories within their product ranges, so we are confident that deliveries to these customers will continue to grow going forward.

It is important to note that our existing customer base for standard Wellington products represents a small fraction only of the overall market accessible to our current products. Our products are reaching the end of testing and evaluation at many other potential customers, with successful results so far, so we are confidently expecting to add more customers.

We believe, therefore, that our standard products business is beginning to perform satisfactorily and that the long period of development and marketing work is finally showing concrete results.

Additional Standard Product Category

In response to requests from many customers, we have introduced a range of conventional induction motors, sourced from our Asian partners, under our new "AirMoVent" label. This has been done so that customers can continue to purchase from one source as they make the transition to using our high efficiency products. The AirMoVent product line has been offered for less than two months and has already attracted a substantial number of enquiries. We anticipate expanding the range of products offered under the AirMoVent label.

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Licensing and Development Programmes

The second major income generating aspect of our business is design and development of specialized motor, electronics and software solutions for specific appliances. We call this service “Total Integration TM”. When in production Total Integration designs are usually produced by the customer under license to us. Notable examples of Total Integration designs are the “BreezeAir Icon” evaporative air conditioner produced by Seeley International Pty. Ltd. (Australia), in production now for two years, and the compressor motor for domestic refrigerators which is entering production with Arçelik A.Ş. (Turkey).

This year has seen us begin several new programmes for new Northern hemisphere clients, which, if successful, will lead to new Wellington-based products in washing machines, central heating, dishwashers and other areas. All of these new products are designed to be produced in high volumes with production levels of more than 300,000 units per year being expected in each case. Our engineering team is currently working at full capacity. We have several other development programmes under discussion that we hope to schedule as capacity permits.

The priority for our engineering team over the next year is these new Total Integration programmes. However, we are also extending the range of standard products offered, particularly for important markets such as commercial refrigeration, where there is a notable demand for energy efficient motors. To expand our product range quickly, we are utilizing some of the relationships we have established over the past few years and have adapted our electronics and software to enhance the performance of conventional motors (permanent magnet motors that do not use Wellington’s proprietary methods) that have already been developed to the production stage by others. An excellent example is a 102mm motor, rated at up to 600W, which A O Smith Electrical Products Company (USA) is supplying to us. We have adapted this motor for use in commercial refrigeration and clean room air conditioning. Supply of samples of the new 102mm product line to end customers begins shortly.

Logistics

Over the past 12 months the number of Wellington motors sold and in service has increased markedly and our product sales continue to rise. Although it has taken longer than expected to reach this stage, we believe that commercially significant demand for our novel type of energy efficient electric motor has been proven to exist. The major challenge facing the company is to cement its position as a reliable supplier of motors in volume to mainstream markets, while efficiently expanding our production and delivery systems. Hence, over the past six months, significant effort (and expense) has been applied to building the supply chain to efficiently provide motors in bulk quantities.

Our local production of standard products continues to run at capacity. Efficiency improvements by our New Zealand team have continued, with local production now operating at satisfactory and improving margins. Preproduction runs of products have been successfully completed at our partner’s factories in China and Malaysia. We have independent partners there that carry out quality control checks to our standards before



products are labelled and released. The quality delivered by our Asian partners is most impressive.

Start up of production in Asia has run slightly behind schedule, although Asian-built Wellington products have been entering our supply chain since late May. Asian production is important for us, partly through reduced direct costs, and mainly through the improvements in logistics and working capital that will eventually be obtained. We expect to see some benefits from this by the September quarter, when we will also have greater production capacity at our disposal, although it will be into the March quarter in 2006 before the full benefits accrue. We believe that this new capacity will quickly be fully utilized and may soon require further expansion.

Wellington's UK distribution centre relocated recently to larger premises near Cambridge, UK, as our original premises were too small to cope with current volumes. Our agents in Italy recently opened a small distribution centre, devoted to our products, in Bergamo in anticipation of volume growth in that market. Our agents in Turkey are considering expanding the premises we use there. In response to an increased enquiry level from Australia, particularly for commercial refrigeration products, we appointed a Melbourne-based agent in June.

For further information visit www.wdtl.com

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