14th November 2007

Wellington Drive Technologies Ltd AGM Address 2007

(See slides 1, 2 & 3)

I'm Shawn Beck, Chairman of Directors.

Welcome to the Wellington Drive Technologies Ltd Annual General Meeting for 2007. I will start by reviewing the Company performance, before moving on to briefly discuss our plans and outlook. Ross Green will speak to you in more detail regarding our operational activities and we will then move on to the business of the meeting.

As you will have noted from the Annual Report and announcements, commercial activities expanded significantly during the year.

(Go to slide 4)

Overall, revenues were over $10 million, with a 93% increase in the second half year compared to the second half of last year. To put this in some context, our revenue growth over the past two years saw the company at number 18 move into the Deloitte Unlimited Fast 50 for 2007.

To refresh your memories, the Company has two main lines of business. We offer a catalogue of standard products. Our main product lines are electricity-saving EC motors designed to be drop in replacements for the common induction motors that still make up the bulk of sales in the motor market today. We sell these under our "Wellington" brand. In the standard products category we also offer a range of induction motors under our AirMoVent brand. These were introduced so that we can offer a full service to customers that need electricity-saving motors and conventional ones. Sales of our AirMoVent motors were good during the year, and most of our AirMoVent customers now also buy our Wellington high efficiency EC product lines.

Our second main area of business is design, development, manufacture and supply of motors, controls and software specially tailored for a customer's end product. As the components we design and supply are usually shaped to fit seamlessly into the end product we brand this "Total Integration". The team is working on several major Total Integration projects at the moment.

Altogether, revenues from sales of standard products were up 73% for the full year and, in the second half, doubled compared to the same period last year

Contract revenues for Total Integration projects did not rise to the extent hoped, although the team is engaged on several projects with large volume potential at the moment and additional new major contracts are under discussion. The first stage negotiations for one of these new contracts - with Panasonic, one of the world's most prominent manufacturing companies - were completed since our annual result was announced. The full commercial details regarding manufacturing and supply are still to be resolved. However, the Board and Management's view is that this contract may prove to be one of the most significant in our Company's history. Having a company of Panasonic's reputation and standing publicly moving to adopt our technology and designs is pleasing.

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Most often we are not able to mention the names of our contract partners during this phase of our growth. The confidentiality allows our customers to execute their marketing and commercial plans fully in the highly competitive environment that they themselves operate in and, more importantly, it allows us to work closely with their product development and sales teams. Because of this we often have detailed knowledge of advanced products that are some years away from market introduction, so confidentiality is essential.

It is worth noting that we have several engineering and supply contracts with customers of similar stature to Panasonic within their own fields. Without being able to develop these partnerships, under the veil of confidentiality, we would foresee a much slower adoption of our key technologies.

We expect to be making announcements about further major contracts soon, once negotiations are completed, and, consequently, we anticipate that contract revenue performance in 2008 will improve significantly compared to 2007.

(Go to slide 5)

The expansion of our sales force throughout the year has lifted our customer-related activity levels, and this is leading to more business. Your Company's international reach is broadening. During the year we shipped products to 18 countries, while samples were delivered to 86 rospects in 22 countries. Although we have seen some good results from extra sales activity, we expect to see still better results over the next 12 months, and we intend to further increase our sales team over the coming year.

Supermarket refrigeration equipment is an area in which we enjoyed good success during the year. The first major deliveries were made to the United States. Hill Phoenix, who is the number 2 supplier of chilled produce display equipment for US supermarkets, is using large numbers of our electricity-saving ECR motors in equipment that they are supplying to the major supermarket chains there. We believe the fact of our business with Hill Phoenix, who are challenging hard for the number 1 spot in their industry, has helped other companies make the decision to move to us: there has been a good number of small first orders for similar products from other US companies, including Federal Industries.

Hill Phoenix currently uses approximately 500 of our motors per day, and has recently placed further orders with us. We expect our business with them to continue to expand over the next year and beyond. We have also been supplying motors directly to the Kroger Corporation, the second largest supermarket chain in the US. Kroger is using our motors as part of their company-wide energy-saving initiative which is already realizing large cost savings - over $US100 million each year already. We believe that Kroger leads the field as far as energy saving programs go, and our business with them is continuing to grow. Furthermore, their successes with energy saving, of which using Wellington motors forms part, is drawing other supermarkets to follow the same path, and this should help to drive further demand for our products.

Elsewhere we have also enjoyed good success with supermarket and vending equipment, with deliveries continuing in Turkey and the first substantial deliveries of motors being made to Poland, Scandinavia, Australia and Mexico. As most of you will know, we received an order for 400,000 of our ECR high efficiency refrigeration motors from a North American company subsequent to year end. We believe that this is the largest individual order ever placed for electricity saving motors with any company - although I stress that we have not been able to independently confirm that. Our new

Monsoon technology is used for those motors and deliveries begin in the New Year, once certain regulatory aspects and other details are completed.

(Go to slide 6)

All of the contracts that we currently have for refrigeration motors are long term arrangements, most of which continue on a rolling basis indefinitely. Furthermore, although the numbers are beginning to appear substantial - 400,000 motors is a substantial order for any motor company - in all cases we are supplying only part of the customer's requirements. The revenues actually booked in the 2007 year represent only a small portion of the annualized potential of the customer accounts we have at the moment, given presently confirmed order levels. As customers begin to move their complete production over to electricity saving motors over the next few years, we have been advised by them to prepare for demand more than doubling from present levels once our motors are introduced across their product ranges. What's more, although we are now supplying some of the leaders, as yet we only have business from a small number of the companies active in refrigeration, so the volumes that are becoming reachable are many times larger than we supply today.

(Go to slide 7)

We also made our first deliveries to the United States of specialized equipment for clean rooms in semiconductor fabrication plants: these are known as fan filter units and are also used in biotech, hospitals and other areas. We having been working on accessing this market for some time and it is most pleasing to see some results beginning to emerge. There are good prospects for growth in this market, demonstrated by the significant order for similar equipment for a Samsung advanced materials plant in Korea subsequent to year end.

Our business that supplies equipment for central ventilation, air conditioning and heat recovery systems also showed good growth during the year - up 58% from last year. We are anticipating even better performance in this area in the coming year, and we expect soon to be announcing a development and distribution arrangement with a major European company that will cover products for this category. This arrangement is expected to rapidly lift sales volumes starting around 18 months from now, although we expect volumes at existing customers and with new prospects to continue to grow over the intervening period.

(Go to slide 8)

Moving to the financial results, the Company's revenue increase of 60% to $10.7 million was pleasing.

Notwithstanding the solid revenue increase, the operating loss for the year increased from last year. This was partly a result of delays in finalizing contracts and partly a result of the Company’s decision to accelerate its overall activity levels in order to capture as much of the market opportunity as realistically possible. Nevertheless, overheads have been well-managed and ended the year in line with the planned increase, with a doubling in offshore based infrastructure costs and New Zealand costs managed to less than a 20% increase.

We also saw an adverse impact of $0.7 million, due to revaluation of US dollar denominated assets, namely cash and receivables. The appreciation in the New Zealand dollar also reduced our reported revenue growth, essentially all our sales being denominated in Euros and US dollars. As most of our stocks are also purchased in US dollars, we were hit twice by the New Zealand dollar appreciation.

Recorded margin improvement was reduced, due to stocks being purchased earlier in the year at less favourable exchange rates than when major billings were made.

Although we would naturally prefer the Company's financial results to be better, the results have to be viewed against the stage of rapid growth the Company is in and the current volatility of exchange rates.

Cash balance at year end was about $13 million, reflecting the successful rights issue concluded in June and helped by a small reduction in working capital compared to the previous half year. However, working capital requirements will continue to show significant variances over the next few years as we deal with early growth of new customer accounts and the introduction of new product lines. We continue to expect that working capital will decline relative to sales levels over time, but in absolute terms we expect that working capital will rise and that investment in working capital will remain substantial for some time.

(Go to slide 9)

Your Board and senior management are currently considering some important decisions. On our current path, we are confident that the company can move into profitability in the second half of next calendar year. However, some large opportunities are on offer. If properly exploited these could lead to rapid growth of volumes of both standard products and those developed specifically under Total Integration programs in 2009, 2010 and beyond: volumes that would be substantially higher than present expectations. Capitalizing on these opportunities, as always, has associated up-front costs and investment that would potentially delay the Company's transition to profitability. This, however, would be balanced by substantially greater upside in later years. Should we choose to make any material changes to our plans we will communicate these changes (and their associated financial outcomes) to shareholders at the time.

Part of the reason the Company is faced with a rapidly growing pool of opportunities is our success in executing our growth strategies, and our excellent product reliability.

(Go to slide 10)

A large part is also due to the rapidly changing market environment. Our products and methods offer significant energy savings to our customers – equipment and appliance manufacturers – or to their customers who are the end users of products that use our motors. The levels of actual and potential energy savings are significant: the small motors that we target use around 20-25% of a typical developed country's total residential electricity consumption.

Our motors save end users real money and generally offer a short payback period. Equipment manufacturers also recognize that our motors and designs can simplify their production processes, thereby reducing secondary production costs. Importantly, we also offer the prospect of our motors being produced and sold for prices equivalent to today's cost of a traditional inefficient commodity motor, once production volumes are similar.

The markets we work in are focused first on cost, although running costs are indeed important and becoming more so. That is why intensely cost-conscious end users such as supermarket chains are beginning to specify our motors because of the savings they bring, despite the fact that initial costs are higher today than the low efficiency, electricity-wasting motors that we replace.

(Go to slide 11)

It's obviously pleasing to have the opportunity to (hopefully) make material energy savings from a global perspective. The fact that major, demanding customers are recognizing that adopting those same products and methods actually saves them money and increases their profits makes it much more likely that those global savings will become reality.

In summary, the Company continues to make good progress. The Company has shipped in total over 700,000 motors to customers, and the prospect for continuing rapid growth looks increasingly secure. Although revenues remain volatile and future financial results difficult to predict, the overall trend is clearly positive and I know I can speak for the other Directors and management when I say that I am excited about Wellington's future.

(Go to slide 12)

I will now hand over to Ross Green to talk to you.

Thank you, Mr. Chairman. Good afternoon. It's good to see so many shareholders with us today.

(Go to slide 13)

I'll aim to be brief. This year saw the Company recording a substantial rise in sales, particularly for our standard Wellington and AirMoVent products and most notably in the half year just completed. This has happened at the same time as a major expansion of our facilities in Auckland, and relocation of our offices in Singapore, Italy, Turkey and the United States, with additional people, mainly in sales and sales related roles being added in all those locations. We also opened a sales support office in The Netherlands, recognizing our growing business with companies in that region.

Consequently, the team at Wellington has been busy, and the high levels of activity are continuing.

We have developed a good business in standard products, and last year we registered some pleasing sales of AirMoVent induction motors which we supply in the main to customers who are transitioning over to our Wellington EC electricity-saving product lines.

This year, I asked our sales team to focus particularly on driving up sales of our standard Wellington EC products - and you can see the results. In fact today I'm going to focus almost entirely on our EC business, which of course is at the heart of what Wellington does. It is important that we achieve good sales volumes there. Good sales have knock-on effects in several ways. Firstly, in our conservative markets, if one company is seen to be buying, others tend to follow. Improved and steady volumes also help our manufacturing partners obtain better costs, which leads to margin improvements for us. Feedback from widespread customer use of our products also helps our on going product improvement process, resulting in better products for the future. Our team and our systems also become more efficient overall when working with steady, larger volumes.

So, good sales of standard products has what could be described as a "halo" effect across most areas of our business, and we are now seeing the effects coming through in our sales revenues and margins.

(Go to slide 14)

This doesn't mean that we have neglected the second aspect of our business - the special developments for major companies, especially appliance companies, that we call "Total Integration".

Although standard product growth was the call for 2007, several contracts with companies of the highest standing have been under negotiation during the year. Since year end you have seen one of them announced - with Panasonic. Several others are in the last stages of negotiation with all major details agreed, and I expect to be able to make announcements regarding those soon.

In fact if, as anticipated, the negotiations in progress now conclude with agreement we will have been considerably more successful in obtaining contracted development work than expected. Our team is already at capacity with a long forward work load. We have also been asked by several major companies to bid to supply substantial volumes of products beginning in 2009 and 2010. These developments are recent, and the Board and management are currently considering how rapidly we expand our capacity to accept the opportunities on offer.

(Go to slide 15)

As I hope you have seen, the scale of orders that we are now obtaining is considerably larger than in the recent past. Shawn mentioned the 400,000 piece order we received recently, and it is at least amongst the largest ever placed with any company for clean technology motors, and might be the largest ever period. Our business with ICT in Korea to supply Samsung is also expected to lead to substantial sales, while our business for ventilation systems with J E StorkAir in The Netherlands has also grown beyond expectations. I'll point out that while we class this business as standard products, there has been a substantial amount of detail engineering required in all cases to get the products into the exact format that our customers required.

In addition, customers and prospects are beginning to recognize that Wellington can offer some technical options that other motor manufacturers and suppliers cannot. A case in point is our Monsoon motor and controller system that I mentioned to you last year. We have applied for world wide patents on this new design and the Monsoon technology was released in our standard product range earlier this year. For any of you familiar with our catalogue the first Monsoon product is the ECR92 motor for supermarket and other refrigeration systems, and that is the product covered by the 400,000 piece order. In the motor world, Monsoon designs are distinctive and have many advantages, especially improved costs and very stable performance. It isn't suitable for every application, but it offers the performance needed for many of the most common appliances.

(Go to slide 16)

The slide shows one reason the costs are improved: the necessary electronics are much simpler and less costly than the systems usually needed for electricity-saving motors. Achieving this requires complex software though, and we have invested a great deal of time and effort in bringing the Monsoon system to market readiness and introducing it. We believe that it is difficult for others to copy, and we also believe that this design works most effectively only with Wellington's special motor type - making it still more difficult for others to follow the same path.

Staying with this slide for a moment, you can also see the influence of the new neodymium-iron-boron (or "Neo") magnets that we are beginning to use in some designs. You can clearly see the difference in size that results. A conventional induction motor is on the left, while a Wellington motor with the same power ratings, and electricity-saving performance because of better efficiency, is on the right. The difference in size is dramatic as I'm sure you will agree. These days, the difference in size also means a difference in cost. The Neo design is actually cheaper than the conventional motor in many applications. Our work with Neo magnets was partly supported by a grant from the Foundation for Research Science and Technology and we are grateful for their support.

(Go to slide 17)

As well, our engineering team often has to deal with specific accelerated life tests to customer requirements, and detailed approvals by national and international safety and regulatory authorities. All of this takes time, absorbs our resources meanwhile, and we don't immediately get paid for it. Because our products are novel, the testing required by customers is – understandably in my opinion – more stringent than for standard equipment. But we rarely encounter problems, and word of that fact is beginning to percolate through the industry as a whole. In this connection, the accelerated life tests on the 400,000 piece order were successfully completed by our customer a few weeks ago: a great result. The tests involved hundreds of thousands of cycles under tough conditions worse than expected in service. We were pleased that the customer undertook this programme in association with our own team, and it established that our latest Monsoon motor designs are likely to be the most reliable in the market.

The necessary work on these test and approval programmes is carried out or facilitated by our team and our capability and willingness to do this, and our ability to execute – get it done - quickly, are major reasons why we are gaining business. Our capabilities in that respect are becoming recognized as a reason to choose Wellington.

(Go to slide 18)

Important decisions now face us: forward work load is good - and being able to deliver quickly is even better. Customers appear to be moving more quickly than ever before to adopt electricity-saving motor designs, especially in areas like supermarket refrigeration as mentioned by Shawn where the payback is rapid and proven. Demand is clearly there and we are satisfying it. If we weren't, though, let's remember that customers can't wait forever and even though - as our results show - major companies in need of better motors are increasingly turning to Wellington as their first choice, if we perform slowly others will eventually step up to service their needs.

(Go to slide 19)

We added several sales people to the team this year. In the United States, Mexico and Turkey we were fortunate to be able to attract and appoint top people into posts in advance of the vacation season. Our expanded sales team was able to make an impact before the holidays, and I believe that customers immediately reacted well to our increased local presence: many of them said that they saw this as being a clear sign that we were seriously committed to serving them. Hence the rise in orders. I don't believe we have yet seen the full effects of our increased sales activity but that will come through over the coming months.

We also improved the Company's ability to deliver through some strategic investments in facilities in New Zealand, and to a lesser extent in Singapore. The investments in rapid prototyping equipment in New Zealand were targeted at improving the efficiency of our engineering team, speeding turn around time on the special customer developments and product variants that are our hallmark. The new facilities, which were installed and running close to the planned timescales, and well within budget, were indispensable in meeting the timescales necessary on our work with Panasonic and Samsung, and were fully deployed on the preparation activities for the large 400,000-piece order obtained recently.

The range of facilities that we now have, together with the highly skilled specialists that can operate them at peak efficiency, put us in a select group at the head of the industry. Going forward we plan to exploit this advantage still further.

We are now able to move from a "clean sheet of paper" on new designs to prototype standard suitable for delivery to customers in a matter of weeks only, whereas previously - and across the rest of the industry - the timescales are measured in months. Our team has been able to demonstrate a factor of three in the reduction of development times that we called for in the decision to make the investments.

The next stage is to reduce the time to move from prototype to volume manufacturing and we are currently reviewing the plans for improvements in this area.

(Go to slide 20)

This brings me to the crucial point of difference that Wellington has in the marketplace and I hope it will help you understand why more customers are turning to us. I know that Wellington is often seen as a company with clever technology and interesting products. However, that really doesn't "get" it. A clever technology is worthless unless it produces a benefit. In our case, what our technology does is enable us to improve customer service levels far beyond the levels that customers have been forced to accept. Indeed, our research shows that people who buy motors today from long-established motor companies feel that there are many ways in which the products and service offered could be improved.

The established motor companies build down to a price: we believe their designs and processes are inherently less flexible than Wellington's; their scale is large and they resist producing customer specific products. As our products have a number of clear performance advantages, and we can offer integrated and customized products, Wellington has some distinct advantages. Building on these to provide excellent customer service is a strong focus of our business.

Because of our flexible manufacturing process and the software-based nature of our products, we are able to respond quickly to customer needs and deliver customers what they actually need, rather than something that is at best about right - which is what the conventional motor industry does. We can also deliver it quickly and, now that we have begun to expand our field team, we can offer the active help and support that customers need when going through the process of change.

Simply put, our offer to customers is now getting to be right - and the contracts, sales and opportunities are therefore arriving more frequently.

(Go to slide 21)

Last year we delivered 350,000 motors and we hope to double that over the coming year - perhaps more. The numbers we deal with are beginning to become significant. Nowadays we have opportunities in hand that, provided we continue to deliver, will lead to production of many millions of Wellington motors in a few years. This is not the same as having take-or-pay orders for millions of motors, although I stress that we don't merely "think" that these programs "might" deliver production for us in the millions. Provided we continue to execute and deliver over the next two to three years, and I note that our customers believe that we can, the path to those numbers is clear. Achieving them, also given the quality and stature of the customers we are working with, will secure a leading position for us in the industry. It has taken a lot of hard work, investment and patience to reach this point - and it isn't going to immediately get easier - but the goals we have sought for some years are firmly in sight and, now, definitely in reach.

Large scale motor deliveries will lead to commercial success for our company, which is our number one goal. However, it is worth spending a little time to consider what large numbers of Wellington motors in service could mean from an energy use and environmental standpoint.

(Go to slide 22)

Let's speculate a little. Take the 400,000 piece order that we received recently. Our customer is buying those motors because they reduce electricity consumption and hence save primary energy used in power generation. It is easy to show that, compared with using the older style induction motors, these 400,000 motors alone will save around 1.5 PJ of energy each year. Now 1 PJ is the energy in 25 million litres of oil, or the annual consumption of around 35,000 homes: it's a lot of energy.

(Go to slide 23)

However, soon an order of that size will only be part of our annual production. We believe, for instance, that even an order of 400,000 motors is only 2% of the annual worldwide demand for motors in the same category.

So we can see that quite soon, perhaps during 2008, we will be selling enough motors to save around 3PJ that year - compared of course to doing the same thing with inefficient, conventional motors. That's the same as saving 75 million litres, or over 100,000 households total energy consumption.

(Go to slide 24)

Let's continue to speculate a little further and assume that Wellington's motor sales continues to grow at 150% each year, and the energy savings also grow at the same rate. Obviously, there s a lot to do to achieve this, but it is achievable.

If that performance, or something like it continues, by 2015 or 2016 - which is not too far away - we could be delivering 30 to 40 million motors per year, still less than 3% of the estimated world market, and our motors would be saving around 500PJ of energy each year. 500PJ is obviously a large amount of energy: in fact, it is more than New Zealand's total energy consumption for all purposes.

Wouldn’t it be interesting that a New Zealand developed technology, if just moderately successful in major markets, can save more energy than New Zealand uses? I venture to suggest that there are few other ways that New Zealand could make such an impact on world energy consumption patterns. It also puts into perspective the size of the savings that can accrue from moderate use of our motors.

I stress that this is speculation only and is not a forecast - but it is speculation with a sound basis, and would be a great result for our country and of course for shareholders if we could achieve it.

(Go to slide 25)

Back to solid ground - what are we planning over the next year?

The tasks before us are simpler than they were in the past and in many respects are the same as hose faced by any rapidly growing business.

We have had some success, but now is not the time to relax. We plan to further increase our sales efforts, rolling out the team structure that has proved successful in North America into other jurisdictions. We are going to continue to drive costs out of our manufacturing processes and

products. The team achieved some great results there last year under our Manufacturing Improvement Program and there is much more that we can do - to the extent that it is fair to say that the improvements achieved so far are smaller than the gains we know we can capture going forward. This will lead to further improvements in margin. We also plan to continue improving our products and services to secure the advantages we have.

None of this will be easy. Nevertheless, our results show that we have gained a foothold, and a good degree of recognition, in world markets and that we have secured serious business with top tier companies. The task is to build on that to create a truly world class company. There is no doubt that the opportunity is in front of us.

(Go to slide 26)

I'll now hand back to Shawn for the business of the meeting.

For further information visit www.wdtl.com.

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