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Media Release

For Immediate Release

Wellington Drive Technologies – Trading Update

Auckland [10 June 2009] – Wellington Drive Technologies Limited (“Wellington”) today updated its trading outlook for the year to 31 December 2009. The trading update will be covered at the upcoming Annual Shareholders’ Meeting on 16 June 2009.

OVERVIEW:

Wellington’s revised trading outlook continues to demonstrate growth, with projected revenue of NZ\$10.5m for the six months to 30 June 2009. The revised, interim revenue projection is 60% higher than revenue reported for the prior corresponding period, and is lower than the existing Prospectus projection of NZ\$15.6m, as issued on 9 January 2009.

Noting the revised interim projection, and taking into account recent demand estimates from major customers, Wellington has revised its revenue outlook for the 12 months to 31 December 2009 to NZ\$33.7m. The revised, full-year revenue projection] is 130% higher than revenue reported for the twelve months to 31 December 2008, however, is less than the Prospectus projection of NZ\$40.0m. Expected second half revenues remain largely in line with Prospectus projections.

A comparison of the updated trading outlook and Prospectus projections is shown below:

	Updated forecast				Normal Variance	9 January Prospectus		
	H1	H2	Full Year	H1		H2	Full Year	
	NZ\$m	NZ\$m	NZ\$m		NZ\$m	NZ\$m	NZ\$m	
Revenue	10.5	23.2	33.7	+ - 10%	15.6	24.5	40.0	
Gross profit	0.7	5.2	5.9		1.7	5.6	7.3	
Operating expenses	- 8.0	- 7.1	- 15.2	-	- 7.3	- 7.1	- 14.4	
Depreciation and Amortisation	- 1.0	- 1.1	- 2.1	-	- 1.2	- 1.3	- 2.6	
EBIT	- 8.3	- 3.0	- 11.3	+ - 10%	- 6.8	- 2.8	- 9.7	
Net finance income	- 0.08	- 0.02	- 0.09		0.07	0.05	0.02	
Net Profit After Tax	- 8.4	- 3.0	- 11.4	+ - 10%	- 6.8	- 2.9	- 9.7	

Wellington is expecting a revised, full year loss of NZ\$11.4m, NZ\$1.7m more negative than projected in January. Wellington’s expectations for the second half of 2009 remain in line with Prospectus projections and the company continues to target trading profitably for the 2010 year.



DETAILS:

Further comments on Wellington's revised trading outlook are provided below:

Commercial Refrigeration Revenue:

- Wellington has experienced volatile order flows from certain major customers in the first five months of 2009. Wellington believes that end-user demand for energy-saving refrigeration equipment is continuing, although at lower than normal levels given challenging global economic conditions. Wellington understands certain of its major customers are currently reducing inventory levels due to difficult trading conditions.
- Demand from customers in Asia in the first quarter of 2009 was substantially lower than expected although a recovery has since been observed and orders are approaching projected levels. The lower demand in the early part of the year is believed to be attributable to the effects of the global financial crisis.
- Demand from European customers for Commercial Refrigeration products (ECR and AirMoVent motors) was below expectations in the first quarter of 2009. The second quarter has shown signs of recovery and expectations for the second half of 2009 are strong.
- Wellington continues to experience high levels of customer inquiry for its range of ECR Commercial Refrigeration motors. Wellington has supplied small volumes of motors for initial production purposes to a growing number of customers in North America, Europe, and South America in the last few months, and some sales to new customers in Asia. Based on past experience with other customers, these small production orders, which range from a few tens of motors to a few thousand motors per order, are often precursors to subsequent, larger orders.
- Wellington believes that the shift of the Commercial Refrigeration industry towards high efficiency motors, such as Wellington's ECR product line, is accelerating. As an example, Wellington currently has two ECR customers with proven and enduring annual motor demand in excess of 100,000 units per annum, but is expecting initial sales by the end of this year to a further nine customers with similar levels of potential demand. Initial deliveries have already been made to many of these customers in low volumes.

Ventilation Revenue:

- Wellington's second major business area – motors, controls and software for central ventilation and air conditioning systems – reported “as expected” sales to Wellington's largest customer, J E StorkAir (The Netherlands).
- Volume shipments to Wellington's OEM partner (under the design and manufacturing agreement announced in January 2008) have experienced a delay, with volume sales now expected to begin in the second half of 2009.



Total Integration Revenue:

- Wellington's major Total Integration projects, with Panasonic Refrigeration Devices Singapore and a confidential North American customer, have progressed as expected during 2009 to date. All technical requirements have been achieved in each case. Negotiations are currently underway with each customer for the remaining project stages which may lead to the introduction of these products into commercial production. Shareholders should note that the timing of completion of these negotiations, and their ultimate success, is difficult to predict, although Wellington remains confident of a good outcome in each case and negotiations are progressing as expected.
- Substantial demand for Total Integration services is evident. Wellington is progressing through the preliminary stages of two new Total Integration projects, one of which is in the early development stage, with the second expected to begin in earnest in 2010.

Other Matters:

The updated full year profit [projection] also aggregates the effects of a number of other matters that have arisen in the first half:

- Gross margin from product sales has been lower than projected, but is now improving. Wellington has witnessed positive support from its suppliers, and is obtaining better manufacturing pricing due to increased production volumes. However, as sales volumes during the initial part of 2009 have been lower than expected, it will take longer than projected in January for these improved costs to be reflected in financial results.
- Wellington is making engineering design changes that result in significant performance improvements, together with manufacturing cost reductions, notably for ECR motors. These revised designs are now at advanced stages, and the risks associated with technical implementation are believed to be minimal. However, shareholders should note that regulatory compliance testing of the new products is still required, the timing of which is beyond Wellington's direct control.
- Gross margins in the first half of 2009 have been adversely impacted by a higher than projected freight expense and stock provisioning, particularly in the first four months of the year. These effects are associated with one-off events including the recent closure of Wellington's UK warehouse, the transfer of production facilities for DD (Ventilation) motors from New Zealand to Wellington's new facility in Singapore, and transfer of some low volume manufacturing processes from factories in China to Singapore.
- Offsetting these negative effects, to some extent, is the projected higher engineering revenue in the second half of the year.
- Two of Wellington's major customers, one in the USA and one in Europe, deployed ECR motors in novel situations during the half year. This required support from Wellington, which ultimately resulted in a field revision being made to the software used in motors supplied to these customers. Wellington carried the costs of this revision, which had not been budgeted.



However this investment is likely to extend the range of applications for which Wellington products are suitable.

- Wellington has undertaken a comprehensive review of its operating expenditure. Some significant reductions have been achieved and, in tandem, the company has accelerated the on-going process of increasing its global focus on sales and sales support. There have been some staff reductions as part of this process, and the review is ongoing.

Concluding Remarks

Good progress is being made with revenue growth recorded in the first four months of 2009. Revenue growth is expected to increase in the remainder of 2009, based on demand estimates from current customers and prospects. The Board and management continue to target the company trading profitably over 2010.

Wellington's expected year-end cash balance remains in line with that projected in January. Wellington is progressing with its plans to introduce a cornerstone shareholder as mentioned in the 2008 annual report. Further updates on this process will be provided in due course. The trading update will be discussed in more detail at the upcoming Annual Shareholders' Meeting on 16 June 2009.

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