

Wellington Drive Technologies Limited

ANNUAL MEETING

31 May 2016

CHAIR AND CEO ADDRESSES



Wellington
New Products
fuelling Profitable Growth





Notes:

There are statements in this document that are “forward-looking statements”. As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Wellington, its operations, the markets in which it competes and other factors (some of which are beyond the control of Wellington). A discussion of risk is set out on pages 38 to 40 of the 2015 Annual Report of the Company.

EBITDA (i.e. Earnings before Interest, Taxation, Depreciation, Amortisation and Impairment) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis. The Company considers that it is a useful financial indicator because it avoids the distortions caused by the differences in amortisation and impairment policies. EBITDA is calculated as the loss before interest and taxation, less depreciation, amortisation and impairment.

Chairman – Tony Nowell

Fuelling Profitable Growth – Wellington's New Products



Helping customers improve cooler fleet performance

.....Connectivity, Energy Efficiency, Merchandising, Operating Cost

2015 was an exciting period in the development of Wellington Drive, with us seeing the commercialisation of our new range of products, including the ECR2 Supermarket Motor and the Cloud Connected SCS Connect.

Our SCS Connect System puts us in a new market where we offer a cloud-based solution to customers who need to connect industrial devices to the Internet.

The SCS Connect System unlocks the business information sitting in our customers' cooler fleet and lets customers use that data to improve commercial and operational performance.

This puts Wellington at the centre of the rapidly developing industrial Internet of Things.

Both the ECR2 and SCS Connect System are now shipping to customers. We expect growth in volumes to both existing and new customers in the coming months and years.

In addition to this new product growth, we continued to win the confidence of new customers with our legacy products, the ECR01, ECR82 and ECR92. The volumes of these legacy products grew by 28% in 2015.

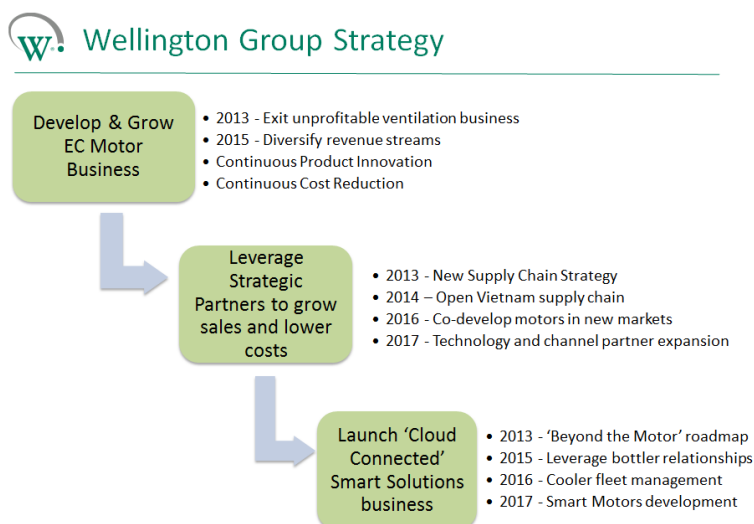
As we turn our fullest attention to growing the top line in 2016 we have never been more confident that we are on the right path to profitable growth.

Before I comment on the 2015 financial results I would like to sincerely thank our shareholders, employees, customers and suppliers for their support. To complete our new products we raised further growth capital in 2015 and are grateful to those shareholders who provided their support.

We continue to have the trust and support of our customers and suppliers, who continue to work diligently on cost reduction and delivery performance.



What does this mean for the company's strategic direction?



Wellington's mission continues to be the delivery of solutions for its customers' commercial refrigeration energy efficiency, system control and connectivity problems. We believe the strategy that we are pursuing supports this mission and will continue to ensure that Wellington leads the competition and builds a world-class 'profitable' company.

The three pillars of the company's strategy continue to be:

Firstly – **Developing and Growing the Motor business** – our new ECR2 motor has launched and is selling well. The success of this motor in winning new motor customers in all geographies demonstrates the progress we are making. We expect more of the same in 2016.

Secondly - **Introducing and leveraging value chain partners to improve sales and lower costs** – our track record of improving gross margin demonstrates how this partnership strategy has provided the benefit we expected and we still have much progress to make. In 2016 and 2017 we will focus on looking for technology partners who can broaden our innovation and product development programmes.

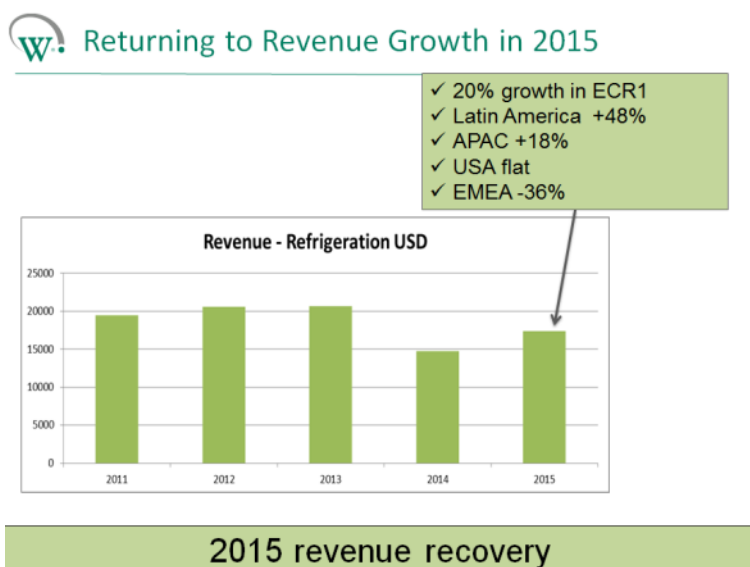
And finally - **Launching our new 'cloud connected' Smart Solutions business** – this began with our SCS Connect System, but will rapidly migrate to a broader product portfolio – both software and hardware. We are already selling the SCS Connect and are over-subscribed for field trials with global brands in new geographic territories. As we look forward to the next 18 months we see developing demand for devices in the low hundreds of thousands, plus related data services. This Smart Solutions pillar turns our Beyond the Motor vision to reality.



So how did we perform in 2015?

2015 was a year of positive growth momentum and further financial improvement.

We met our 2015 financial objectives with revenue of \$24.6 million and a gross margin of 21.4%. The loss for the year was \$2.8 million compared to \$4.5 million in 2014. The EBITDA loss of \$1.4 million was a significant reduction compared to the \$4.0 million EBITDA loss in 2014.



Our 2015 performance, in the context of the revenue downturn of 2014, reflects some revenue recovery and stronger business fundamentals than prior years.





While we report in New Zealand Dollars, the company's functional currency is US Dollars: US Dollar Revenue in 2015 was \$US17.4 million compared to \$US14.8 million in 2014, a growth of 18%.

Volume shipped in 2015 was 1.1 million motors, versus 0.9 million in 2014, a volume growth of 28%. This growth is a result of volume increases with existing customers, focusing on expanding sales in new geographic regions and further diversification of the customer base.

Revenues continue to be dominated by the Latin American region, which experienced stronger customer demand in 2015 with 48% higher revenues. Most customers in this region, with the exception of those in Brazil, showed improved demand with particularly strong performances from Mexico and Colombia. The sales team worked hard to regain share with some customers and increased investment by retail brands also helped us. Brazilian demand remained weak due to the difficult macro-economic and political issues in that country.

The USA remained flat year over year as manufacturers assessed the performance of the new ECR2 motor, which will support them as they look for more energy efficient technologies to meet the Department of Energy's stricter 2017 (DOE'17) energy saving requirements. We are already realising growth from ECR2 shipments in the USA region.

Asia Pacific revenues increased 18% due to new customer wins in the region, helped by our new joint venture with East West China's Wholly Foreign Owned Enterprise (WFOE), which allows us to transact in Chinese currency for domestic business. We continued to add Supermarket OEM customers to our portfolio in China and also grew customer relationships in Taiwan, Thailand and Korea.

Our Europe, Middle East and Africa region saw revenue decline by 35% year over year as European macro-economic issues impacted customer demand and a strategic decision was made by one of our customers to move to a multi-sourcing arrangement. However, we did add new European customers to whom we expect to ship in 2016.

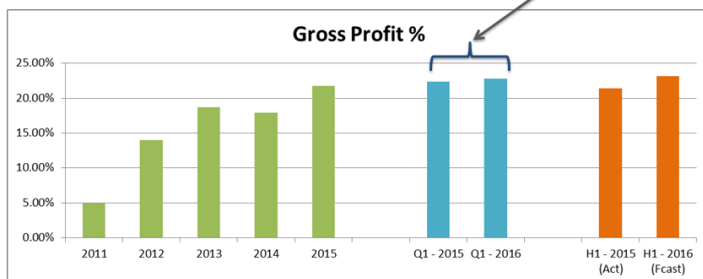
Having a broader customer base across our geographic regions, which now includes distribution channel partners in the UK and USA, is an important growth objective that de-risks the company's reliance on a small number of large customers.

Diversifying the customer base by adding the food service and display case sector to our historic focus on bottle coolers, was one of the main sales objectives of last year, resulting in the addition of eight new customers in this new sector.



Gross Margin Continues to Improve

- ✓ 2015 21.4%
- ✓ Q1 2016 23%
- ✓ Forecast 23% in H1 2016



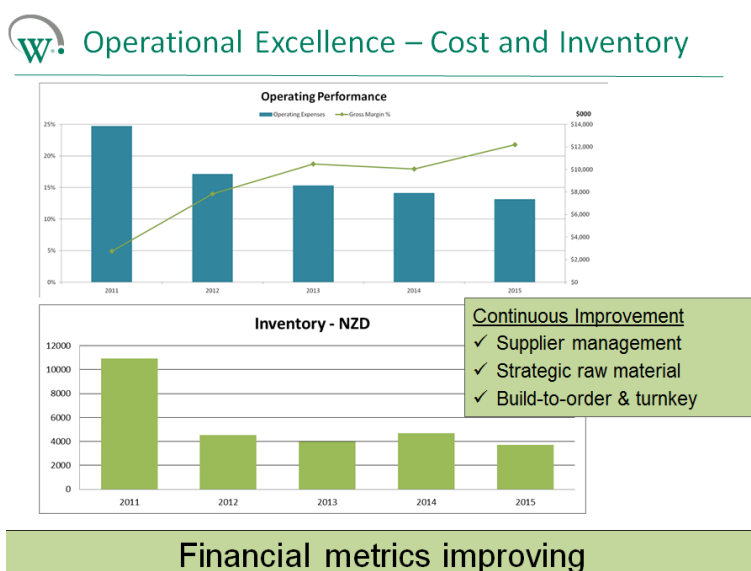
Continual supply chain cost improvement



The Company's supply chain also delivered strong results, with a gross margin of 21.4% for the 2015 year, up from 18% in 2014. Wellington's suppliers are all helping to meet our gross margin targets and they continue to support us by investing in the manufacturing capability that we need to meet customer demand.

We believe we now have the cost structure that allows management to focus more on revenue growth.

Motor production increased with supply from East West's factory in Vietnam and the "milestone" 300,000th motor was reached in June 2015. This level of volume helped us with increased production efficiencies and improved component costs which in turn translated into improved gross margin. The ongoing improvement in supply chain performance, both from East West and our China-based EC Motor supplier, Match-Well, enabled gross margins for 2015 of 21.4% compared to 18.0% in 2014. We expect to improve on the 21.4% in 2016 as a result of our continued focus on cost reduction and manufacturing efficiencies from increased volumes.



Operating costs for 2015 reduced by \$0.6 million year on year to \$7.8 million. The reduction in spending was dampened somewhat by the NZD/USD exchange rate but still a good result. This performance was attributable to the temporary suspension of the Company's short-term incentive plan, the full-year impact of the 2014 closure of the Singapore office and other cost reduction initiatives focused on business system simplification, meaning we continue to do more with less people.

It is worth noting that the business has almost halved its operating costs over the past four years.

As we move forward, the business will need to add operating cost to support its revenue growth. In 2016 we are slowly adding new field engineering skills to support the rollout of our new SCS Connect solution, as well as software skills to help broaden our SCS Connect System offering. These growth skills are an essential part of building our capability and are aligned with the new product range and Internet of Things strategy.



Capital Expenditure and Capital needs for the year

We closed the year with \$2.9 million of cash, compared to \$1.2 million at the end of 2014.

Our cash and working capital performance was a highlight, with the business generating a \$0.8 million cash inflow from operating activities compared to a \$4.4 million cash outflow in 2014. This was due to a significant reduction in the EBITDA loss for the year, a \$1.0 million reduction in inventory levels and a reduction in the collection period for trade receivables.

In June 2015 the Company completed a \$3.2 million capital-raising to fund the completion and successful marketing launch of the ECR2 and SCS Connect.

During the 2015 year Wellington invested \$2.2 million to complete the development and launch of the ECR2 motor and SCS Connect platform, to start the development of the EC-Frame motor and to progress our joint development project with East West. We also invested in necessary tooling & test equipment to support the manufacture of our new products.

So what do we expect from the business in 2016?

2016 Outlook

- H1'16 – around EBITDA breakeven
- European revenue growth versus last year
- Seasonal uncertainty in Latin America in Q2

Full Year Outlook

- Revenue significantly higher than 2015
- Small loss to modest EBITDA profit
- Continue to grow ECR2 & SCS revenues

2016 Priority

.....New product sales, EBITDA profit

We are experiencing an encouraging start to the 2016 financial year. In the first quarter initial sales of the ECR2 motor and SCS Connect products supported revenue of NZD\$9.2m, a 40% increase on 2015. EBITDA was a modest profit of \$92k, versus a \$231k loss in first quarter 2015.

We are maintaining a cash balance of between NZ\$1m and NZ\$2m depending on timing of inflows and outflows.

Our second quarter volume is flexing as brands and manufacturers work out their demand for the remainder of H1, but we still expect Q2 2016 volume to be well above Q2 2015.



For the second half, we see continued volatility in demand information from customers as the brands determine their cooler investments for the balance of the year. The situation varies by region, continuing to make 2016 full-year guidance difficult.

Given the stronger start to the year, and with our new products in the market, we expect US Dollar revenues to be significantly higher than last year.

As stated in previous guidance, we anticipate a much smaller loss than in 2016, with a modest EBITDA profit achievable if demand patterns continue to be positive and new products sell as expected.



Health and Safety

No work related Accident
Compensation claims have
been made in the last 5 years.

2015 focus areas

1. Identifying potential hazards and implementing solutions
2. Work safe procedures and electrical safety testing in NZ
3. Appropriate fire evacuation and training drills
4. Ergonomic assessments and implementation
5. Ensuring global offices adhere to local regulations
6. Employee well-being and security whilst travelling

The Board and management team treat its health and safety practices as a vital part of its operating system.

Before I hand over to Greg I do want to update you on the significant focus the board is giving to health and safety, particularly in the context of new legislative requirements.

The board and management team continued to increase focus on health and safety in 2015. For many years we have operated a health and safety committee that reports to the board on a monthly basis at board meetings. This committee manages health and safety processes, issue resolution and system improvements. The committee met regularly throughout 2015, identifying areas of improvement that were implemented (see the slide on the screen now).

We treat our health and safety system seriously and it is the foundation of our corporate quality policy. It is a vital part of our operating system and governs how we manage offices, take care of employees and all visitors to our sites, deal with stakeholders who use our products, and how we manage suppliers to ensure they operate global best-practice sustainability, quality and safety standards.

We think it is important that our shareholders know that the board and management team spend a good deal of time on this area and treat it as importantly as growing revenue and delivering profits.

In closing, I trust that my report has shown you the significant improvements continuing to be made in the business, with new products in the market, the lowest supply chain costs we have ever had, an increasing portfolio of new customers and technologies, and a company now on a clear and profitable growth trajectory.



Finally, I would like to express the board's thanks to the management and employees for their loyalty, dedication, hard work and continued support that is driving the company to profitable growth.

I will now hand you over to Greg who will discuss the 2015 business performance in more detail and share some of the exciting growth opportunities the company has.

Greg.....over to you.

CEO – Greg Allen

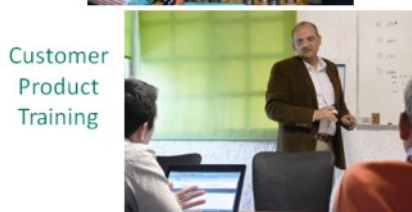
Our People are our Main Asset



Supplier
Selection



Manufacturing
Excellence



Customer
Product
Training

Global customer delivery team

Thank you Tony.

Hello everyone and welcome to our 2016 annual shareholder meeting.

I think my first slide sums it up for me. Our team here at Wellington is the reason why we continue to improve financial performance, deliver innovative new products and provide great service to our customers. I believe it's the Wellington team that makes the difference in our market and one of the reasons why we continue to win with some of the world's best known retail brands and against some very large competitors.

Our new SCS Connect and ECR2 products are in the market and they are winning with new and existing customers. Importantly we think our Industrial Internet of Things strategy, enabled by the SCS Connect System, is proving to be a real game changer in the industry.

Our supply chain continues to deliver. Yes we still have a little way to go to hit the 25% gross margin target, but I am confident we can achieve that. I think not hitting our mid-term 25% target last year was the one area we were disappointed with. We are not unhappy with the 21% margin, but we were counting on a little more. Some of the component cost reductions we were planning on were delayed due to technical qualification issues – something we will hopefully remedy this year. We also had to increase airfreight spend to support some short lead-time orders from new customers. We have done a great job of product cost reduction over the last few years but are now getting to the really hard projects.

Before I brief you all on how we did against our priorities I will start with the lessons we learned from last year's performance.

2015 – Lessons Learned

Opportunity for Improvement

- Underestimated complexity of SCS Connect launch
- Ability to deliver within very short lead-times <30 days
- Supply Chain cost reduction is becoming more difficult

What went right

- ✓ SCS Connect adoption by major global brand
- ✓ ECR2 adoption by major US Display Case OEM
- ✓ Asia Pacific growth



A couple of important lessons here:

The launch of our SCS Connect was more complex than we had anticipated – and we continue to learn that deploying a connected refrigeration controller with software services requires new development and field-support skills that we are continuously developing. This is something we are remedying through measured investment in new people with the skills we need. That said we are very pleased to have won our first major global customer for the SCS Connect System.

Shorter and shorter lead-times are becoming a requirement in the commercial refrigeration market. The cost benefits we get from manufacturing in Vietnam and elsewhere in Asia are sometimes offset by the length of the supply chain – meaning we have to hold strategic inventory and manage airfreight for fast order response. This is something that will become a larger focus for us over the next 18 months and particularly on SCS Connect where locating inventory closer to our customers will become the norm. This is a challenge for 2017 as volumes are expected to grow significantly in that timeframe.

So how did we do against last year priorities?

Our 2015 priorities were created to deliver on our goals of diversifying the company's revenue base, developing and successfully launching innovative new products and ensuring we remain cost competitive by further lowering our supply chain costs.

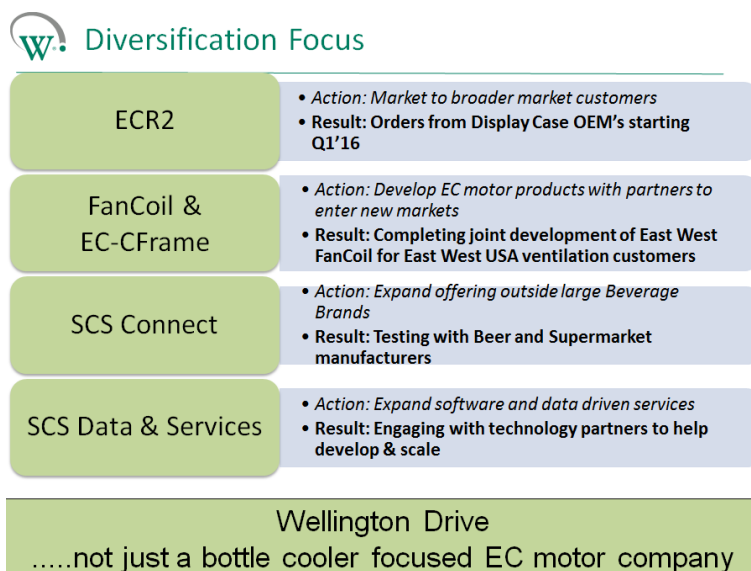
Those five priorities were:

1. Expanding geographical reach and customer diversification through sales distribution partnerships.
2. Developing new customer relationships and growing revenues in the supermarket segment
3. Launching the new ECR2 motor, targeted at supporting supermarket display case customers
4. Launching the SCS Connect fleet management solution, the Company's first Smart Controller product
5. Delivering a lower cost, higher capability supply chain with East West and other strategic suppliers.



The three main highlights as a result of these priorities were:

Diversification Focus

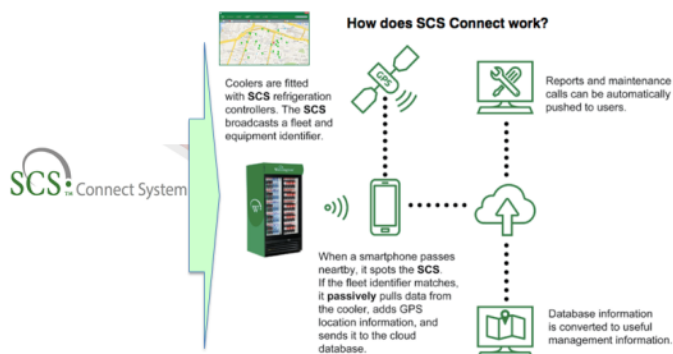


We were successful with our diversification focus, using selected distribution and channel partners to help sell into non-bottle cooler markets. Whilst our ECR01 volume in bottle coolers grew year over year by 20% we also saw the winning of a number of new customers in the Supermarket space. Our UK distributor (Axair) opened several supermarket display case channels and we expect to sell the ECR2 motor and SCS Smart controller through these channels. Wellington also had success in China with the ECR01 motor with mid-tier supermarket display case manufacturers and due to this success we actually hired our local sales agent as a Wellington staff member in late 2015.

We are no longer totally reliant on selling EC Motors to the bottle cooler market. We are building a stronger, more diversified revenue base with our new ECR2 motor and SCS Connect System in the food service and display case market as well as our traditional beverage cooler market. In addition our co-development project with East West, on the FanCoil motor is nearing completion and we would expect sales to commence in 2017. We are also exploring further new market opportunities with our SCS Connect. Finding different streams of revenue for our products is a core part of our growth plan.

Deep relationships with brands

The SCS System



Connectivity Solutions to help customers reduce system costs and grow product sales

Our strategy is built around developing deep technology-based relationships with food and beverage retail brands. The development of our cloud-based connected controller, the SCS Connect System, underpins those relationships and allows us to expand our services to these brands.

In 2015, our success resulted in Wellington being invited to participate in six new field trials for SCS Connect, as well as commencing several test programmes for the ECR2 motor.

In the first quarter of 2016, we commenced the production launch of a multi-year SCS Connect programme with a global retail brand.

Market trials and customer feedback are telling us we can't be complacent with this product. It will continue to need software and hardware developments to support the developing needs of connected cooler fleets worldwide. We are exploring new innovations such as alternative wireless communication methods, remote adaptors for retrofit applications, remote 'unit scale' recognition of product inside the cooler and numerous new cloud data services. We are also exploring a number of technology partnerships that could help us broaden our product roadmap in this area.

The ECR2 motor

ECR 2 – The Most Advanced EC Motor



- ✓ Optimized airflow
- ✓ Simplicity of install
- ✓ Quiet operation
- ✓ Programmable
- ✓ Multi-market product

First production
orders received
Q1 2016

Our highly efficient (and very quiet) ECR2 motor, specifically targeted at the supermarket sector, completed development and passed all regulatory approvals for Europe and North America.

In late 2015 a major USA supermarket refrigeration manufacturer made the decision to use the ECR2 in several new product lines planned for launch in 2016. This customer is one we had been trying to win for many years, demonstrating the importance of targeting the needs of new markets and tailoring products to suit those markets.

Early in first quarter 2016 we shipped first orders to this USA-based customer and also to a large European supermarket display case manufacturer, one that has been testing the ECR2 for several months.

Now looking ahead to this year's priorities:



W. 2016 Strategic Priorities

1. Improve customer diversification
2. Develop new customers in the supermarket segment;
3. Sell the ECR2 motor into supermarket and bottle cooler space
4. Sell SCS Connect to beverage brands and expand outside the beverage market
5. Optimise electronics supply chain to lower costs and lead-times

✓ **Priorities Focused on Top Line**

The five main priorities for 2016 are:

1. Further improve customer diversification by expanding the geographical customer base;
2. Develop new customer relationships and grow revenues in the supermarket segment;
3. Sell the new ECR2 motor targeting supermarket customers and bottle cooler customers;
4. Sell the SCS Connect fleet management solution to large global beverage brands and expand the marketing process outside the beverage market; and
5. Further optimise the electronics supply chain to further lower costs and reduce electronic component lead-times

The priorities haven't really changed that much, as we believe consistency in our improvement focus areas is an important part of delivering financial results.

You will notice a couple of areas where we are adjusting slightly – on the SCS Connect System we are increasing our efforts to look for market opportunities outside of the beverage customers, and in the supply chain we are taking a deeper look at the electronics supply chain, as with the SCS electronics are becoming an even larger part of our supply chain spend. Both of these changes are driven by our continuous search for improved margins and lower costs.

I look forward to updating shareholders further over the coming quarters on how we are performing against these priorities.



Finally a few comments to close.

Our Brand Promise

✧ SMART

✧ RELIABLE



✧ PERSONAL

✧ RELENTLESS

We had a great start to the year with strong demand and small EBITDA profit in Q1. We think 2016 is the year we can achieve breakeven or a small EBITDA profit. Yes there are still risks and challenges in front of us as we work to improve supply chain performance even further while we sell and grow our new products, but we are seeing accelerating demand and are excited by the prospects.

Before I close I want to take a moment to look a year ahead to 2017. We are increasingly confident that 2017 will see our SCS Connect and ECR2 products continue to grow significantly. Our early forecast models show SCS volumes doubling next year and growing by 50% each year after that for the balance of our 5 year planning model (a number that is based on us winning further global retail brands and expanding into different end-markets). The ECR2 motor business will also continue to grow as more supermarket display OEM's adopt the motor and we expand the platform to higher power ECR2 motors. 2017 is also when we would expect to start selling our joint FanCoil product with East West and bring our next generation "Internet of Things" products to market.

On the back of the cost structure we have implemented, and the anticipated new product wins, we would expect continued revenue growth in 2017 with EBITDA performance in the low millions of dollars. We are confident that we will be well down the path of building a platform for rapid growth in subsequent years.

On that positive note, it's time to hand back to you Tony to complete the business of the meeting.