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Key Distribution Developments

In the market update of 13th July 2004, Aeris announced that we were in advanced discussions in respect of Thailand and Indo China with a potential new distributor. Aeris is pleased to confirm that it has now signed an agreement with the Trane Corporation as its exclusive distributor in these countries. Trane is a global leader in HVAC systems and service with a turnover approaching USD5 billion and is a subsidiary of American Standard, a Fortune 500 Company.

Trane provides Aeris a unique partnership focusing on its key strengths in commercial, residential and OEM. Trane's parent company has approximately 60,000 employees globally and manufacturing operations in 27 countries. Trane's commitment to Aeris is a strong validation of Aeris' pioneering technology from an undisputed industry leader. Trane represents not only a substantial customer in its own right, but brings a wealth of knowledge, contacts and expertise to the Aeris relationship.

Japan has previously been identified by Aeris as a major opportunity for the Company across all its business divisions. In collaboration with Austrade the Company has just completed an extensive series of meetings in Japan with leading corporations and large potential customers. The response to Aeris' solutions to biological contamination and energy saving was exceptional and should lead to an early entry into one of the world's most valuable markets.

Aeris is now well on track to complete its major milestone of a complete global distribution network during 2005.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M. Stang", written over a horizontal line.

Maurie Stang
Chairman

