1st March 2007

Media Release

For Immediate Release

Preliminary Half Year Result

Overview

The first half of the 2007 financial year ("H1 F07") was notable for several reasons. Some good successes were achieved in the market, with the first major customer for standard products being secured in the USA, with an order worth $1.8 million for ECR electricity-saving commercial refrigeration motors being recorded. Revenues continued to grow, particularly in the DD series of high efficiency motors, used mainly in European ventilation products. The AirMoVent lines of induction motors (conventional, low efficiency designs) continued to secure good sales and new customers, particularly in the Turkish market.

Product sales improved by 38% against the comparative period. Total revenues grew 25% to $4.1m ($3.3m) and the net loss was $2.9m ($2.6m). Financial results were affected by delays in closure of new orders, partly due to diversion of senior staff and management time in connection with the unsuccessful transaction with Source Vortex.

We expect to deliver our millionth motor late in the calendar year. Subsequent to 31 December, January 2007 was Wellington's first month with revenue greater than $1m being recorded.

These steadier volumes and important work with our partners in the supply chain led to solid progress at the gross margin level, delivering significant margin improvement for the six month period. Operations in Singapore and Italy took on new staff during the half and our sales footprint continues to expand as per our sales acceleration plan.

Worldwide the focus on energy costs, environmentally sustainable technologies and emissions of carbon dioxide ("carbon") increased substantially during the half year. We are well placed to benefit from this trend: Wellington motors enable significant reductions in electricity use and carbon emissions. Wellington motors already in service in Europe have saved in aggregate approximately 120 million units of electricity to date, which saves 160,000 tonnes of carbon emitted from coal fired generation plants.

Financial Summary

The Company recorded a consolidated loss before tax and unusual items of $2.9 million for the half year, slightly adverse to the previous corresponding half year result ($2.6 million). Product margins improved significantly due to consistent order volumes, increasingly stable supply chain throughput and the results of ongoing cost initiatives. Overheads increased, principally due to growth of the sales organisation, and remained well within budget.

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Receivables at the end of the half-year were $2.4 million, in line with $2.4 million as at Dec 2005. Collections are performing well, though the increased business success in Turkey - where 90 day terms are standard business practise - is increasing our medium-term working capital requirements.

Inventories at the half-year were $4.2 million, up significantly from the previous half year figure of $2.1 million and above the $2.7m recorded at 30 June 2006. The majority of the increase was stock in transit to customers at the end of December ($1.0m), together with higher volumes of DD and ECR components to cover increased sales and preparation for new orders coming online in the second half of this year. The inventory position will decrease relative to sales as revenues grow and economies of scale in logistics continue to take effect. Balancing the need to provide a high level of customer service, with the ability to offer attractive delivery terms on small initial orders, and minimizing cash tied up in working capital are key management objectives.

Fixed assets were stable at $1.4 million, the same as December 05. This is expected to increase as our acceleration program builds the service level and delivery capability of the overseas sales offices and the local engineering team. Other assets, principally capitalized development costs, increased to $2.3 million from $1.8 million at the previous comparative and $2.1m at the year end. This is partly the result of a decrease in services revenue, as the team took the opportunity of deferred customer demands to accelerate the company's internal product development and commercialisation plan.

Operational Review

The DD motor series maintained good growth in Europe in H1 (+74%), which was satisfying given the strong growth also recorded by this series in the comparative period. AirMoVent also continued to grow (+156%), with repeat orders from Turkish customers, although off a smaller base than the DD motor series. The stability of orders in both of these product lines have assisted performance improvement in the supply chain resulting in good improvements in gross margin.

The half was disappointing in two areas. ECR motor revenues were down after an excellent comparative period in 2005 (where the first major orders from Sanyo Corporation were recorded) and engineering services revenue was also down with two large Total Integration sales being pushed into the second half of the year.

The reduced level of ECR motor deliveries is largely due to timing, as the orders announced in November and January illustrate. Requests by new prospective customers for ECR motor samples continued at high levels during the half year. Major customers for ECR motors, including Sanyo Corporation, placed repeat orders during the half. Numerous smaller orders for ECR products were delivered during the half year, and some of these are now converting to larger production orders; this reflects the lengthy test and ordering cycle at customers that has been noted in previous full and half year announcements. Shortening the conversion cycle for all Wellington products is a major goal for the team going forward, and we believe that the market for ECR motors is gathering pace, which will assist conversions.

Sales of engineering services were lower than hoped for. This was due to slower than expected progress with commercial negotiations for two Total Integration projects in the United States (although both projects are now moving forward), and the rejection as unacceptable of the commercial terms offered by one Total Integration customer in Europe.

Though there is a high degree of seasonality in the purchasing cycles of our engineering business, senior staff and management were heavily involved with capital raising activities during the half, and this impacted our ability to close and execute the deals needed to deliver even stronger H1 revenues.

Performance has improved across the business in the second half of the year. The first deliveries to the $1.8m ECR order for the US (announced in November 2006) began in January, and container-volume deliveries started in the third week of February. A mixture of new and continuing customer projects is being progressed by the engineering group – including the recently announced project with a large Japanese company.

The disappointment of the termination of the Source Vortex transaction was felt in several ways. The financial impact, though short term in nature, is most obvious directly in less interest income. As noted above, the negotiation and due diligence processes absorbed the energies of senior staff, the board and chief executive for longer than expected. This diversion of effort is believed to have negatively influenced the closure of contracts in the half year, decreasing engineering service and product revenues.

The $12m placement (30m shares) at the end of November enabled the company's sales investment program to be continued, albeit with unwelcome delays. Consistent with the 28 November 2006 announcement, the company is still planning a rights issue in the first half of the 2007 calendar year to raise the additional capital to continue its market acceleration plans.

Recent months have seen an increase in focus, within financial markets, on investments in environmentally sustainable technologies. This has been driven from several directions including: the growth in awareness of energy costs; increased focus by the world's major corporations as carbon emissions gain attention; and the advancement of the regulatory environment around carbon emissions. All of these factors are driving our customers and prospects to investigate the benefits that efficient motors and motor solutions from Wellington can provide.

Reliability of our products in service remains excellent.

Production and Logistics

Stock remains high relative to revenues, although supply chain initiatives have stabilised stock levels within the manufacturing and purchasing areas and constrained growth of stock in transit to fulfil customer orders. Given the good margin improvements achieved in tandem, we are satisfied with this result.

The transfer of part of the UK based assembly operations to China has been completed with some orders now being delivered directly to customers from China. Wellington will continue to promote and develop a supply chain based around such direct delivery, to provide the best cost option to customers. Our UK operations will continue to emphasize high levels of service to European Community customers, especially in the earliest stages of supply.

The establishment of a sales management and logistics coordination office in Singapore has significantly assisted the supply chain improvements that have been achieved. This liaison function with our Singapore, Malaysia and China based manufacturing partners has made the supply chain more visibly secure for customers – a key customer concern at the time of purchase. This has also enabled the New Zealand based team to focus on global oversight of the supply chain, implementing a wide reaching cost down program.

Licensing (Total Integration) 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". Although Total Integration workloads overall are good, the revenues achieved were below expectations for the half year. Two major projects were delayed, with one re-starting in mid-December but having no billings prior to the close of H1 F07.

Subsequent to balance date, two new Total Integration programmes have begun, both of which result from lengthy sales effort within H1 and earlier. These include the recently announced project with a major Japanese company, which offers the largest potential volume of any yet addressed by Wellington. The ordering company expects electricity-saving designs to begin to dominate its product line over the next few years, and the intention is to begin volume production of this component during 2008.

We are especially satisfied with progress on our new "Monsoon" motor, controller and software development. This new technology is notable in offering, for the first time, electricity-saving performance at costs which are fully comparable to current low-efficiency induction motors. This is achieved by using advanced software to enable higher levels of performance to be realized with simple, low cost electronic hardware. Some savings in motor material are also obtained. The technical details of the Monsoon system have been shared (under non-disclosure agreements) with several major, competent international companies that have confirmed the basic savings available compared to conventional designs.

A new international patent on the Monsoon technology has been applied for. We expect to release the first products using Monsoon during the current half year.

Monsoon designs are being assessed for several of our major Total Integration projects. One of these was brought to completion late in the half year, and met all cost and performance targets. However, most disappointingly the commercial terms offered for the production stages of this programme were, although generous in some respects (including the near-term cash element), rejected as unsatisfactory; the customer insisted on levels of access and control over certain aspects of the Monsoon technology, including the software source code, which we were not willing to provide.

Costs of neodymium-iron-boron ("Neo") magnets continue to reduce. These magnets offer significantly higher performance levels than the conventional ferrite magnets which have been used in most Wellington designs to date. The higher performance of these magnets is being deployed by Wellington to reduce costs, as Neo enables the overall amount of motor material required for a given performance level to be reduced. We believe that the gains we are able to achieve in this respect are more significant than those available to other motor designs. Neo magnets are being used in most current Total Integration projects.

Outlook

With the sales successes of the half, the first substantial ECR motor order from the United States, and subsequent Total Integration orders, Wellington is progressing satisfactorily along its growth path. As noted above, progress in the half year just completed was slower than hoped, for the reasons mentioned. The capital raising late in the half year has allowed management to focus again on developing the business, while the pending rights issues will continue to support the financial strength of the company.

International sales offices are the focus for headcount growth. The New Zealand cost base, relative to the development of the business overall, is planned to grow more slowly in the future. With the sales team expanding, the focus and balance of the company is being shifted more strongly into the commercialisation of existing products. This is enabled by the good record of delivery and repeat orders on all product lines. A major medium-term focus of the sales team is to reduce the time from first contact to final purchase.

Investment in process and technology to speed the turn around times of our engineering services group, including Total Integration projects, has started and has begun to improve execution timescales on current projects. This will require more management time going forward, but should result in a much improved engineering capacity without corresponding expansion in team size.

Continued focus on costs will provide further margin improvement in the near term while prices achieved in the market are currently expected to remain stable.

Global focus on carbon emissions, environmental sustainability and energy costs are converging to underline Wellington's key benefits – energy savings, low embodied energy cost and cost effective solutions. These arguments will increasingly capture the attention of business leaders, politicians and the general public when it comes to purchasing decisions. These benefits are expected to eventually become simple 'must-haves' for all OEMs worldwide. Wellington is well placed to contribute to and benefit from this trend.

WELLINGTON DRIVE TECHNOLOGIES LIMITED

Consolidated Statements of

Financial Performance

for the six months ended 31 December 2006

Six months ended 31 December	2006 $000	2005 $000	Year ended 30 June 2006 $000
OPERATING REVENUE			
Product sales, & fees	3,919	3,109	6,424
Royalty & licensing income	41	41	74
Interest income	74	75	184
Grants	59	64	166
Other	7	-	214
Total operating revenue	$4,100	$3,289	$7,062
Less cost of sales and other operating expenses	(7,049)	(5,894)	(11,589)
Net Deficit before taxation	(2,949)	(2,605)	(4,527)
Less taxation expense	-	-	-
Deficit attributable to the Shareholders of Wellington Drive Technologies Ltd	($2,949)	($2,605)	($4,527)
Earnings per share (basic) cents	(2.72)	(2.91)	(2.53)

Consolidated Statements of Movements in Equity

Equity as at beginning of year	8,497	7,705	7,705
Net deficit for period	(2,949)	(2,605)	(4,527)
Increases in paid up capital	11,780	5,320	5,319
Equity as at end of period	$17,328	$10,420	$8,497

WELLINGTON DRIVE TECHNOLOGIES LIMITED
Consolidated Statements of
Financial Position
as at 31 December 2006

	As at 31 December 2006 $000	As at 31 December 2005 $000	As at 30 June 2006 $000
NON CURRENT ASSETS			
Fixed assets	1,447	1,421	1,530
Development costs	2,254	1,785	2,059
Trade mark intangibles	59	34	37
	3,760	3,240	3,626
CURRENT ASSETS			
Cash on hand & at bank	81	146	444
Bank call/short term deposits	9,622	4,259	1,250
Trade accounts receivable	2,107	2,009	1,959
Other receivables & prepayments	338	453	385
Taxation refund due	1		1
Inventories	4,224	2,118	2,693
	16,373	8,985	6,732
Total assets	$20,133	$12,225	$10,358
EQUITY			
229,560,695 ordinary shares (Dec 05 & Jun 06 - 199,560,695)	48,214	36,436	36,434
Accumulated deficit	(30,886)	(26,016)	(27,937)
	17,328	10,420	8,497
CURRENT LIABILITIES			
Accounts payable	1,382	1,099	1,364
Accruals, entitlements & provisions	495	659	476
Trade Finance advance (secured)	928	-	-
Deferred rental income	-	47	21
	2,805	1,805	1,861
Total funds employed	$20,133	$12,225	$10,358

Wellington Drive Technologies Limited

Consolidated Statements of

Cash Flows

for the six months ended 31 December 2006

Six months ended 31 December	2006 $000	2005 $000	Year ended 30 June 2006 $000
Operating cash flows:			
Receipts from customers, interest & tax	4,454	1,489	5,560
Payments to suppliers & employees, interest & tax	(8,631)	(5,087)	(11,118)
	(4,177)	(3,598)	(5,558)
Investing cash flows:			
Purchase of fixed assets	(127)	(171)	(513)
Development costs & intangibles	(395)	(388)	(796)
	(522)	(559)	(1,309)
Financing cash flows:			
Cash from share issues	11,780	5,320	5,319
Trade Finance advance	928	-	-
	12,708	5,320	5,319
Net increase/(decrease) in cash held	8,009	1,163	(1,548)
Cash at beginning of period	1,694	3,242	3,242
Cash at end of period	$9,703	$4,405	$1,694
Reconciliation of Net Surplus to Operating Cash Flows			
Reported net deficit after tax	(2,949)	(2,605)	(4,527)
Items not involving cash flows:			
Depreciation & amortisation	450	503	851
Non current asset purchases accrued	(62)	(9)	7
Impact of changes in working capital items:			
Receivables, tax & prepayments	(101)	(1,946)	(1,829)
Inventories	(1,531)	(494)	(1,069)
Accounts payable & accruals	37	978	1,060
Deferred landlord rental charges	(21)	(25)	(51)
Net operating cash flows	($4,177)	($3,598)	($5,558)

These half-year accounts have not been audited.

The consolidated interim financial statements are for the economic entity comprising of Wellington Drive Technologies Limited and its subsidiaries have been prepared in accordance with generally accepted accounting principles in New Zealand ("NZ GAAP") and should be read in conjunction with the Group's annual financial report for the year ended 30 June 2006.

No dividends are proposed.

For further information visit www.wdtl.com

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