



## **Azure Dynamics Announces Third Quarter 2009 Results**

### *Revenue Up as Sales Trend Improves*

**Oak Park, MI – November 12, 2009** - Azure Dynamics Corporation (TSX: AZD) - ("Azure" or the "Company"), an industry leader in the development of hybrid electric and electric technologies for commercial vehicles, today reported its third quarter financial results for the period ending September 30, 2009. The Company also provided an update on product development activities.

"While the automotive and commercial vehicle industries struggled along with the rest of the economy to recover during the quarter, we saw definite signs of improvement and opportunity," said Scott Harrison, Azure Chief Executive Officer. "Interest from our current and prospective customers picked up significantly and several new orders that had been on hold were released late in the quarter and into the fourth quarter. We see that trend continuing to improve as we move closer to the end of the year."

Harrison said that interest in fuel efficient green products continues to mushroom in the commercial vehicle industry and that as federal stimulus funds are released he expects more companies and municipalities to take advantage of them to order vehicles equipped with Azure technology.

"It's clear that we have the right products for today's market and as we continue to amass on-the-road experience and customer understanding of our unique product benefits, the market is responding," said Harrison. "Our more than two decades of development work in alternative vehicle transportation systems is finally starting to pay off."

Subsequent to the quarter end, Azure announced significant advancements for each of its core technologies. On October 14<sup>th</sup>, the Company announced its largest LEEP<sup>TM</sup> Freeze order to date with 248 units for Schwan Food Company. On October 30<sup>th</sup>, Azure and Ford Motor Company jointly announced that Azure's Force<sup>TM</sup> Drive technology would power the Transit Connect battery electric vehicle, the first of four electric vehicles coming from Ford in the next three years. Then, on November 9<sup>th</sup>, Azure announced 51 additional Balance<sup>TM</sup> Hybrid Electric sales to FedEx Express, most of which will be deployed at an all-hybrid facility in Bronx, New York.

"We're delighted at the amount of financial support that is being made available to the Company to assist us in our development efforts for the Transit Connect battery electric vehicle. For the first time in the Company's history, we will share the development costs of a major product program with several project collaborators. Additionally, we're evaluating several commitment letters received from government for a significant economic package to further reduce our overall development costs," said Harrison. "With the added financial benefits of sharing development costs, and support from government, we are now more confident than ever in our ability to continue delivering our innovative products to meet the growing customer demand."

### Third Quarter 2009 Highlights

- On July 9, Azure was awarded a 16 vehicle contract from the Hybrid Truck Users Forum's (HTUF) Small Hybrid Bus Working Group. HTUF's Small Hybrid Bus Working group is a joint program between CALSTART and the U.S. Army TARDEC's National Automotive Center (NAC) and is supported by the Federal Transit Administration. Azure won the competitive bid process because its technology provided the flexibility to service the needs of a broad range of HTUF constituents.
- On August 5, the Company announced a successful bid for up to 50 Balance™ Hybrid Electric shuttle buses for the State of Kentucky. Ten buses were ordered immediately by three separate Kentucky municipalities with an option for up to 40 additional buses.
- On August 13, Azure Dynamics closed a private placement offering for gross proceeds of approximately CDN\$10,000,000. The offering was conducted through a syndicate of agents co-led by Raymond James Ltd. and TD Securities Inc. and including Paradigm Capital Inc. and Stonegate Securities, Incorporated as co-managers.
- On August 18, the NAPA Valley Unified School District (NAPA) in California purchased the nation's first NEXBUS, the only hybrid electric Type A school bus available in North America. NEXBUS is produced by Collins Bus Corporation and features Azure Dynamics' Balance™ Hybrid Electric drive train. Collins is the largest builder of Type A (short) school buses and Azure's exclusive partner in producing certified hybrid school buses.
- On August 25, Azure announced the sale of five Balance™ Hybrid Electric buses to Votran, the transit entity for Volusia County, Florida. Votran, which used FTA stimulus funds to cover 100 percent of the cost of the vehicles, will integrate the buses into its county-wide paratransit service.
- On August 26, Azure announced that the United States Postal Service (USPS) had added a Balance™ Hybrid Electric vehicle to its fleet. The Azure product, a Balance™ Hybrid Electric two-ton walk-in van, will actively participate in the USPS fleet in Long Island, New York, for a twelve month pilot program. Azure has an additional 30 vehicles already in service with USPS.
- On September 24, Azure's Balance™ Hybrid Electric technology was approved by the Michigan Department of Transportation (MDOT) for use by state transportation agencies. The MDOT contract creates a fixed price for up to 50 buses and will remain in effect for up to three years with a total maximum value of \$5.6 million.
- On September 30, Azure's dealer, Colonial Equipment Co., was awarded a bid with Howard County, Maryland, for up to 25 of the Azure CitiBus™ units with 17 units immediately ordered.
- As the fourth quarter began in October, Azure received two separate orders from Kidron Body Company for a total of 257 Low Emission Electric Power (LEEP™ Freeze) systems.

## Financial Results

Revenue for the third quarter of 2009 totaled \$3.2 million compared to \$1.3 million in the third quarter of 2008. For the nine months ended September 30, 2009, revenue totaled \$5.0 million compared to \$5.1 million in the same period a year ago. Net loss for the third quarter of 2009 was \$5.7 million, or \$(0.01) cents per share, compared to a loss of \$8.3 million or \$(0.03) cents per share in the third quarter of 2008. Net loss for the nine months ended September 30, 2009 was \$19.8 million, or \$(0.05) per share, compared to a loss of \$24.3 million or \$(0.08) per share in the same period a year ago.

Before contributions, the Company's engineering, operations and product development expenses for the quarter totaled \$3.3 million (including \$1.2 million in product development costs), compared to \$4.9 million for the same period in 2008 (including \$2.7 million in product development costs). For the first nine months of 2009, the Company's engineering and R&D expenses totaled \$10.4 million (including \$3.2 million in product development costs), compared to \$15.5 million in the same period of 2008 (including \$8.5 million in product development expenses).

As of September 30, 2009, the Company's net cash and cash equivalents totaled \$5.3 million, and working capital totaled \$11.1 million, compared to cash and cash equivalents of \$21.2 million, and working capital of \$33.6 million, as of September 30, 2008. Revenue for the third quarter increased significantly and the company is in the process of completing delivery of several previously announced orders for which it expects to receive payment during the fourth quarter of 2009 and the first quarter of 2010.

The Company is progressing in its discussions with Technology Partnerships Canada ("TPC") with respect to extending the length and modifying the scope of its existing grant program from TPC to include additional costs related to the development of the Balance™ Hybrid Electric P1 parallel hybrid program. Azure's application for an amendment totaling approximately \$2.8 million has been submitted and is currently under review. Management believes that this request will be approved sometime during the fourth quarter of 2009.

### Third Quarter Product Development Updates

#### CitiBus™ (G1) Series (7,500 to 16,000 lbs. gross vehicle weight, "GVW")

- The 49 G1 Purolator fleet crossed over 1.2 million miles in service
- 28 G1 CitiBuses have been delivered and are in service

#### Balance™ Hybrid Electric (P1) Parallel (10,000 – 19,000 lbs. GVW)

- In addition to notification from the IRS that the 2009 model Balance™ Hybrid Electric qualifies for a \$3,000 U.S. Federal tax credit to eligible buyers, Azure received notification of certification from California Air Resources Board (CARB) for the 2009 Azure Balance Hybrid E-450
- The EPA and CARB certifications are requirements for the Balance™ Hybrid Electric to qualify for the California Hybrid Truck and Bus Voucher Incentive Project (HVIP). The HVIP will provide vouchers of \$10,000 to \$45,000 on a first-come, first-served basis for purchase of each eligible new hybrid truck or bus. The program is anticipated to be in effect January 2010

- Second generation prototype Lithium battery packs were received from Johnson Controls-Saft and are running in the Azure development fleet

#### LEEP Freeze & LEEP Lift (Low Emission Electric Power)

- The field trial of LEEP™ Lift by AT&T in Kansas continued in the quarter
- Customer demonstration trial of LEEP™ Freeze with Dreyer's Grand Ice Cream, Inc. in Florida was completed within the quarter
- Engineering and production prepared for increased manufacturing rates for LEEP™ Freeze in Q4 as a result of recent orders announced

#### **Sales and Marketing Highlights:**

- On July 17, Azure announced two new patents for innovations to its proprietary hybrid electric drive trains. Azure Dynamics broad patent portfolio includes 21 total patents issued or pending. The newest additions address key value-adding components applicable to electric, hybrid and PHEV vehicle drive trains.
- On July 22, Azure announced a partnership with Turtle Top, a leading body manufacturer specializing in small to mid-sized buses and specialty vehicles. The agreement provides Turtle Top customers and dealers the opportunity to select Azure's Balance™ Hybrid Electric drivetrain system on the Ford E-450 chassis.
- On August 20, Azure Dynamics announced that its shuttle buses will service student and faculty needs at both the College of Staten Island and the University of Fairfield. The College of Staten Island is working to set a green example for its community. J & R Tours will manage the second bus on behalf of the University of Fairfield in Fairfield, Connecticut.
- On September 22, Azure announced the sale of two hybrid electric NEXBUS school buses to Durham School Services, a subsidiary of National Express Corporation (NEC). NEC manages more than 16,000 school buses in North America. NEXBUS utilizes Azure's Balance™ Hybrid Electric drivetrain with a Collins school bus body.

The Company's fiscal 2009 third quarter financial statements and MD&A are available at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.azuredynamics.com](http://www.azuredynamics.com).

#### **About Azure Dynamics**

[Azure Dynamics Corporation \(TSX: AZD\)](http://www.azuredynamics.com) is a world leader in the development and production of hybrid electric and electric components and powertrain systems for commercial vehicles. Azure is strategically targeting the commercial delivery vehicle and shuttle bus markets and is currently working internationally with various partners and customers. The Company is committed to providing customers and partners with innovative, cost-efficient, and environmentally friendly energy management solutions.

For more information, please visit [www.azuredynamics.com](http://www.azuredynamics.com).

The TSX Exchange does not accept responsibility for the adequacy or accuracy of this release.

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### **Forward-looking Statements**

*This press release contains forward-looking statements. More particularly, this press release contains statements concerning Azure's business development strategy, projected commercial revenues and product deliveries.*

*The forward-looking statements are based on certain key expectations and assumptions made by Azure, including expectations and assumptions concerning achievement of current timetables for development programs, target market acceptance of Azure's products, current and new product performance, availability and cost of labour and expertise, and evolving markets for power for transportation vehicles. Although Azure believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Azure can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with Azure's early stage of development, lack of product revenues and history of losses, requirements for additional financing, uncertainty as to commercial viability, uncertainty as to product development and commercialization milestones being met, uncertainty as to the market for Azure's products and unproven acceptance of Azure's technology, competition for capital, product market and personnel, uncertainty as to target markets, dependence upon third parties, changes in environmental laws or policies, uncertainty as to patent and proprietary rights, availability of management and key personnel, and acquisition integration risk. These risks are set out in more detail in Azure's annual information form which can be accessed at [www.sedar.com](http://www.sedar.com).*

*The forward-looking statements contained in this press release are made as of the date hereof and Azure undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

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**Azure Dynamics Corporation**  
**Consolidated Balance Sheet**  
**(Stated in Thousands)**

<b>As at</b>	<b>September 30</b>	<b>December 31</b>
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	5,297	13,803
Accounts receivable	2,621	2,317
Inventory (Note 4)	8,313	8,318
Prepaid expenses	1,366	675
	17,597	25,113
<b>Restricted cash</b>	1,173	1,440
<b>Property and equipment</b>	5,497	6,194
<b>Intangible assets</b>	7,116	8,012
<b>Goodwill</b>	2,932	2,932
	34,315	43,691
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	6,029	4,806
Customer deposits & deferred revenue (Note 5)	285	360
Current portion of notes payable (Note 3)	67	74
Current portion of obligations under capital lease (Note 6)	111	114
	6,492	5,354
<b>Long-term</b>		
Obligations under capital lease (Note 6)	138	263
Customer deposits & deferred revenue (Note 5)	659	839
Notes payable (Note 3)	2,111	2,459
	2,908	3,561
<b>Shareholders' equity</b>		
Share capital (Note 7)	174,407	165,007
Contributed surplus (Note 7)	7,014	6,500
Deficit	(156,506)	(136,731)
	24,915	34,776
	34,315	43,691

**Azure Dynamics Corporation**  
**Consolidated Statements of Operations, Comprehensive Loss, and Deficit**  
**(Stated in Thousands)**

	For the three months ended September 30 (unaudited)		For the nine months ended September 30 (unaudited)	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Revenues</b>	<b>3,168</b>	1,325	<b>4,969</b>	5,078
<b>Cost of sales</b>	<b>3,594</b>	(2,132)	<b>7,126</b>	6,214
<b>Gross Margin</b>	<b>(426)</b>	(807)	<b>(2,157)</b>	(1,136)
<b>Expenses</b>				
Engineering, research, development and related costs, net	3,330	4,832	10,422	15,074
Selling and marketing	519	679	1,504	1,945
General and administrative	1,859	1,937	6,005	5,834
<b>Total expenses</b>	<b>5,708</b>	7,448	<b>17,931</b>	22,853
<b>Loss from operations</b>	<b>(6,134)</b>	(8,255)	<b>(20,088)</b>	(23,989)
Interest and other income, net	136	40	423	285
Interest expense	(26)	(3)	(85)	(6)
Other expense	24	-	(594)	(561)
Foreign currency gains/(losses)	308	(91)	569	(64)
<b>Net loss and comprehensive loss for the period</b>	<b>(5,692)</b>	<b>(8,309)</b>	<b>(19,775)</b>	(24,335)
Deficit, beginning of period	(150,814)	(113,890)	(136,731)	(97,864)
<b>Deficit, end of period</b>	<b>(156,506)</b>	(122,199)	<b>(156,506)</b>	(122,199)
<b>Loss per share - basic and diluted</b>	<b>(0.01)</b>	(0.03)	<b>(0.05)</b>	(0.08)
Weighted average number of shares - basic and diluted *	410,241,505	316,332,699	389,787,339	291,784,936

\* No diluted earnings per share have been disclosed, as these would be anti dilutive.

**Azure Dynamics Corporation**  
**Consolidated Statements of Cash Flows**  
**(Stated in Thousands)**

	For the three months ended September 30 (unaudited)		For the nine months ended September 30 (unaudited)	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Net loss for the period	(5,692)	(8,309)	(19,775)	(24,335)
Adjustments for:				
Amortization of property and equipment	254	252	789	699
Amortization of intangible assets	354	347	1,056	1,063
Unrealized foreign currency (gains)/losses	(279)	129	(362)	180
Stock option compensation expense	69	181	332	633
Deferred share units compensation expense	64	93	186	146
	<u>(5,230)</u>	<u>(7,307)</u>	<u>(17,774)</u>	<u>(21,614)</u>
Changes in non-cash working capital items	<u>(1,193)</u>	<u>(680)</u>	<u>248</u>	<u>(4,563)</u>
<b>Total cash flows from operating activities</b>	<u><b>(6,423)</b></u>	<u><b>(7,987)</b></u>	<u><b>(17,526)</b></u>	<u><b>(26,177)</b></u>
<b>Cash flows from financing activities</b>				
Issuance of common shares (net of costs)	9,395	24,394	9,395	24,392
Principal payments on notes payable	(17)	(9)	(53)	(27)
Repayment of obligations under capital lease	(36)	(10)	(131)	(20)
<b>Total cash flows from financing activities</b>	<u><b>9,342</b></u>	<u><b>24,375</b></u>	<u><b>9,211</b></u>	<u><b>24,345</b></u>
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	(67)	(577)	(103)	(961)
Acquisition of intangible assets	(35)	(17)	(160)	(125)
Sale of property and equipment	-	-	35	-
Changes in restricted cash	35	-	97	-
<b>Total cash flows from investing activities</b>	<u><b>(67)</b></u>	<u><b>(594)</b></u>	<u><b>(131)</b></u>	<u><b>(1,086)</b></u>
Increase (decrease) in cash and cash equivalents	2,852	15,794	(8,446)	(2,918)
Exchange impact on cash held in foreign currency	2	(15)	(60)	(8)
Cash and cash equivalents, beginning of period	2,443	5,428	13,803	24,133
<b>Cash and cash equivalents, end of period</b>	<u><b>5,297</b></u>	<u><b>21,207</b></u>	<u><b>5,297</b></u>	<u><b>21,207</b></u>
<b>Supplemental cash flow information</b>				
Cash paid for interest	26	21	85	57
Cash paid for taxes	-	-	-	-
Non cash investing and financing activities:				
Vehicles and equipment acquired under capital lease	-	151	-	336