



## Azure Dynamics Reports Fiscal 2009 Year End Results

- Azure Dynamics reports record fourth quarter revenue of \$4.4 million and record year end revenue of \$9.4 million representing increases of 72% and 23%, respectively versus the same periods in the prior year.
- Balance™ Hybrid Electric delivery vans and shuttle buses continue to gain market acceptance with new and repeat customers in 2009.
- Azure and Ford Motor Company announced collaboration on Transit Connect Electric project.
- Company says that with the success of its recent public offering, and current and anticipated product demands, it anticipates having sufficient liquidity to execute its business plan in 2010.

**OAK PARK, MI – March 24, 2010** – Azure Dynamics Corporation (TSX: AZD) (OTC: AZDDF) (“Azure” or the “Company”) a leading developer of hybrid electric and electric powertrains for commercial vehicles, today announced its financial results for the three and twelve-month periods ended December 31, 2009. The Company also provided an update on corporate and product development activities during the year.

“2009 was just the start of what we expect will be a long-term trend of positive results for Azure,” said Scott T. Harrison, CEO of Azure Dynamics. “Despite the economy, it was our best sales year ever with 566 total products sold which are now powering vehicles for 80 new and repeat customers. Plus we completed major agreements with our key partners and continued to build our already strong relationships with our major fleet customers.

“As businesses start to ramp up their purchasing and implement their green initiatives, Azure is in a good place,” Harrison said. “Most of our products qualify for federal and state stimulus funds which will help to lower the purchase price and reduce the payback period making them even more attractive to customers. That will help us build on the momentum we’re already enjoying in the marketplace.”

### Financial Results

Revenue for the fourth quarter of 2009 totaled \$4.4 million compared to \$2.6 million in the fourth quarter of 2008. For the year ended December 31, 2009 revenue increased to \$9.4 million compared to \$7.7 million in 2008. Net loss for the fourth quarter of 2009 totaled \$8.0 million, or

\$(0.02) per share compared to a loss of \$14.5 million or \$(0.04) per share in the fourth quarter of 2008. For the year ended December 31, 2009, the Company's net loss was \$27.8 million, or \$(0.07) per share, compared to a net loss of \$38.9 million, or \$(0.12) per share in 2008.

Before contributions, the Company's engineering, research and development ("R&D") expenses in the quarter totaled \$5.2 million (including \$2.9 million in product development costs), compared to \$6.0 million for the same period in 2008 (including \$3.1 million in product development costs). For the year ended December 31, 2009, the Company's engineering and R&D expenses totaled \$15.6 million (including \$6.1 million in product development costs) compared to \$21.5 million in 2008 (including \$11.6 million in product development costs).

As of December 31, 2009, the Company's cash and cash equivalents totaled \$33.6 million and working capital totaled \$31.7 million, compared to cash and cash equivalents of \$13.8 million and working capital of \$19.8 million as at December 31, 2008. During the year, the Company completed two equity financings, raising net proceeds of \$37.2 million to fund ongoing product development, operations and working capital.

### **Key 2009 Milestones**

- On December 22, Azure closed its offering of common shares for total gross proceeds to the Company of approximately \$30,000,000.
- On December 14, Azure announced that Purolator Courier Ltd. ("Purolator") placed an order for an additional 200 Balance™ Hybrid Electric delivery trucks. The 200 unit purchase is Azure's largest revenue order ever. Purolator had already ordered 50 units earlier in the year.
- On November 9, Azure announced that FedEx Express purchased fifty-one (51) additional Azure Balance™ Hybrid Electric vans.
- On October 30, Azure announced its collaborative effort to deliver the Ford Transit Connect Electric van. Azure will upfit the Transit Connect with its proprietary Force Drive™ pure electric drivetrain.
- On October 14, Azure and Kidron announced a record 248 unit Low Emission Electric Power (LEEP™) sale to Idealease on behalf of its client, Schwan Food Company.
- On August 13, Azure Dynamics closed a private placement offering for gross proceeds of approximately \$10,000,000.
- On April 9, Azure announced an exclusive supply agreement with Collins Bus of Kansas to create NEXBUS, the only hybrid electric Type A (short) school bus available in North America.
- On January 15, the Company announced a plan designed to address cost issues while meeting growing demand for its green technology solutions. The plan included a 25% workforce reduction, cuts in discretionary spending, actions to offset component cost increases and a focus on new programs that involve a sharing of development costs.
- On January 13, Azure announced a five year supply agreement with Johnson Controls-Saft under which Johnson Controls-Saft will supply the Company with its state-of-the-art lithium-ion hybrid batteries.

## Corporate

- Azure's Balance™ Hybrid Electric drivetrain integrated on the Ford E-450 chassis continues to enjoy little competition in the medium duty commercial truck segment where it resides and where Ford is the clear market leader. Azure customers report up to 40% fuel economy improvement, 30% reduction in maintenance costs, and a 30% reduction in greenhouse gas emissions. Current government incentives are encouraging adoption of this environmentally-friendly technology.
- During 2009 Azure deepened both its relationship with Ford and its offering to commercial customers with the October announcement that the Company will provide its Force Drive™ electric powertrain technology for the Ford Transit Connect Electric. The award winning Transit Connect began selling in North America in 2009 and the electric variant is the first electric offspring in Ford's Blueprint for Sustainability. Johnson Controls-Saft was chosen as the battery supplier for Azure's Force Drive™ integration on the Ford Transit Connect Electric.
- Azure established a new strategic relationship with Johnson Controls-Saft (JC-S) in 2009 by signing a five year supply agreement for lithium-ion battery packs. The relationship gives Azure a predictable supply of JC-S advanced lithium-ion batteries at market competitive prices. Led by this battery, Azure expects to significantly reduce the Balance™ Hybrid Electric product costs by up to 40% by year end 2010. Azure expects significant margin improvement on the product as a result, and where appropriate a portion of the savings will be passed along to customers to drive additional volume.
- Azure's sales strategy includes a combination of direct sales, distributor sales and Ford dealerships. Azure has partnerships with seven of the top shuttle bus body manufacturers that represent approximately 90% of this target market. The Company's relationship with Ford commercial truck dealerships in major metro markets in North America for both sales and service provides distribution bandwidth while keeping internal sales costs comparatively low.
- Azure has avoided significant investment in manufacturing facilities by leveraging existing capacity. The Company has announced that Transit Connect Electric upfitting will occur in the State of Michigan, however, the location and partner have not been named pending final agreement.

"Adding new customers is the name of the game but it's especially gratifying to add repeat business to the portfolio, and we did a lot of both in 2009," said Harrison. "Our biggest customers who already have experience with our products placed significant repeat orders during the year and we signed on a number of new customers who are just starting to convert to more energy efficient fleets. This bodes well for our future opportunities since we traditionally have a high re-order rate.

"We have the technology, the partners and the products to make Azure the choice for commercial fleets looking to reduce costs and green their fleets," Harrison said. "Our development work over the past twenty years is paying off and we expect that sales and revenue records will be short lived around here."

## **Product Development**

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

- Purolator's fleet of 49 series hybrid vehicles have approximately 1.3 million miles as of December 31, 2009
- During the year all 19 G1 diesel hybrids have surpassed their warranty period of 3 years
- The 30 gas series hybrids have surpassed two years in service and the earlier units will hit the 3 yr in-service milestone in Q1 of 2010
- 2009 was the final model year for production of G1 Hybrid vans and CitiBuses. The program will now move into a service engineering mode. The high mileage and time in-service data will provide Azure with valuable durability data for future developments

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

- The Balance™ Hybrid Electric shuttle bus was released into production in the first quarter of 2009
- The 2009 model Balance™ Hybrid Electric was certified as a new qualified heavy-duty hybrid motor vehicle by the IRS, which qualifies it for a \$3,000 US 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 serve to qualify the product for the California Hybrid Truck and Bus Voucher Incentive Project (HVIP) which 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 in the state
- The Company worked with JC-S throughout the year on development and testing of the a new Lithium-Ion<sup>battery</sup> pack and by year-end a second generation of prototype battery packs were received and are running in the Azure development fleet

### Transit Connect Electric (Force Drive™)

- Development for the Transit Connect Electric was begun in the fourth quarter of 2009
- By December 1<sup>st</sup>, the Company completed a development and supply agreement with Johnson Controls-Saft to collaborate on the Lithium Ion battery pack for the Transit Connect Electric
- By year-end the Company had completed a concept design release for the vehicle and also built an initial show vehicle
- Testing on the completed vehicle was in progress through the end of the year, and the delivery to Ford occurred in January, 2010. The build of a second engineering vehicle began within the first quarter, 2010

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

- With support of Eaton, the company released a new variant of the LEEP Freeze™ system that is compatible with Eaton Ultrashift transmissions
- The company executed validation and durability testing on the LEEP Freeze™ system throughout the year
- In support of the 248 unit order for LEEP Freeze™ systems in October, the Company undertook final design upgrades and manufacturing ramp-up activities to support volume production. Forty systems were produced and delivered by year end

- A product field trial of LEEP Lift™ commenced with AT&T in the first quarter and continued throughout the year demonstrating up to 30% fuel savings and idle-off performance attributes

#### Other Product Developments

- Development of a next generation of the Force Drive™ inverter commenced in the first half of 2009; the product will go into production mid 2010 and be used across the Company's product lines
- A second generation prototype advanced soft-switched inverter was received and preliminary testing completed with the support of the US DOE Freedom Car program

#### **Conclusion**

"We believe that our products and our internal practices, set against a backdrop of external factors including the threat of higher oil prices, access to government stimulus programs, greater recognition and appreciation for environmental issues, and better understanding of hybrid electric and electric technology in general, set the stage for Azure's accelerated growth in 2010 and beyond," said Harrison. "Our goal is very clear -- to be a profitable company delivering state-of-the-art products and a solid return to our customers, investors, partners and employees. The road to profitability requires us to pass through the breakeven plateau. We believe that this plateau is within reach and hope to have a clear picture in time for our 2010 Annual General Meeting in June," Harrison said.

The Company's complete fiscal 2009 audited year-end 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).

*All figures are in Canadian dollars.*

#### **Azure Dynamics**

[Azure Dynamics Corporation](http://www.azuredynamics.com) (TSX: AZD) (OTC: AZDDF) 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 labor 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 Sheets**  
(Stated in thousands of Canadian dollars)

<b>As at</b>	<b>December 31 2009</b>	<b>December 31 2008</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	33,588	13,803
Accounts receivable	2,632	2,317
Inventory (Note 5)	5,215	8,318
Prepaid expenses	974	675
	<b>42,409</b>	<b>25,113</b>
<b>Restricted cash (Note 4)</b>	<b>1,041</b>	<b>1,440</b>
<b>Property and equipment (Note 6)</b>	<b>5,277</b>	<b>6,194</b>
<b>Intangible assets (Note 7)</b>	<b>6,755</b>	<b>8,012</b>
<b>Goodwill</b>	<b>2,932</b>	<b>2,932</b>
	<b>58,414</b>	<b>43,691</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	9,837	4,806
Customer deposits & deferred revenue (Note 8)	746	360
Current portion of notes payable (Note 3)	66	74
Current portion of obligations under capital leases (Note 9)	99	114
	<b>10,748</b>	<b>5,354</b>
<b>Long-term</b>		
Obligations under capital leases (Note 9)	117	263
Customer deposits & deferred revenue (Note 8)	644	839
Notes payable (Note 3)	2,055	2,459
	<b>2,816</b>	<b>3,561</b>
<b>Shareholders' equity</b>		
Share capital (Note 11)	202,250	165,007
Contributed surplus (Note 11)	7,139	6,500
Deficit	(164,539)	(136,731)
	<b>44,850</b>	<b>34,776</b>
	<b>58,414</b>	<b>43,691</b>

Approved on behalf of the Board:

"signed D. Campbell Deacon" Director

D. Campbell Deacon

"signed James C. Gouin" Director

James C. Gouin

The accompanying notes are an integral part of these consolidated financial statements.

**Azure Dynamics Corporation**  
**Consolidated Statements of Operations, Comprehensive Loss, and Deficit**  
(Stated in thousands of Canadian dollars, except per share amounts and number of shares)

	For the years ended December 31	
	2009	2008
	\$	\$
<b>Revenues</b>	<b>9,403</b>	7,651
<b>Cost of sales</b>	<b>14,520</b>	12,866
<b>Gross Margin</b>	<b>(5,117)</b>	(5,215)
<b>Expenses</b>		
Engineering, research, development and related costs, net (Note 13)	11,681	22,286
Selling and marketing	2,388	2,833
General and administrative	9,134	7,899
<b>Total expenses</b>	<b>23,203</b>	33,018
<b>Loss from operations</b>	<b>(28,320)</b>	(38,233)
Interest and other income, net	546	347
Interest expense	(110)	(10)
Other expense	(586)	(568)
Foreign currency gains/(losses)	662	(403)
<b>Net loss and comprehensive loss</b>	<b>(27,808)</b>	(38,867)
Deficit, beginning of year	(136,731)	(97,864)
<b>Deficit, end of year</b>	<b>(164,539)</b>	(136,731)
<b>Loss per share - basic and diluted</b>	<b>(0.07)</b>	(0.12)
Weighted average number of shares - basic and diluted	406,148,487	313,802,407

The accompanying notes are an integral part of these consolidated financial statements.

**Azure Dynamics Corporation**  
**Consolidated Statements of Cash Flows**  
(Stated in thousands of Canadian dollars)

	<b>For the years ended December 31</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	(27,808)	(38,867)
Adjustments for:		
Amortization of property and equipment	1,048	1,005
Amortization of intangible assets	1,460	1,414
Unrealized foreign currency (gains)/losses	(448)	525
Stock option compensation expense	400	711
Deferred share units compensation expense	244	184
	(25,104)	(35,028)
Changes in non-cash working capital items (Note 17)	8,032	1,625
<b>Total cash flows from operating activities</b>	<b>(17,072)</b>	<b>(33,403)</b>
<b>Cash flows from financing activities</b>		
Issuance of common shares (net of costs)	37,238	24,342
Principal repayments on notes payable	(69)	(40)
Repayment of obligations under capital lease	(160)	(26)
<b>Total cash flows from financing activities</b>	<b>37,009</b>	<b>24,276</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(141)	(1,089)
Acquisition of intangible assets	(203)	(143)
Sale of property and equipment	35	-
Changes in restricted cash	211	-
<b>Total cash flows from investing activities</b>	<b>(98)</b>	<b>(1,232)</b>
Increase/(Decrease) in cash and cash equivalents	19,839	(10,359)
Exchange impact on cash held in foreign currency	(54)	29
Cash and cash equivalents, beginning of year	13,803	24,133
<b>Cash and cash equivalents, end of year</b>	<b>33,588</b>	<b>13,803</b>
<b>Supplemental cash flow information</b>		
Cash paid for interest	110	159
Cash paid for taxes	-	-
Non cash investing and financing activities:		
Vehicles and equipment acquired under capital lease	24	364

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