



## Azure Dynamics Reports Record 3<sup>rd</sup> Quarter 2011 Revenues

- Third quarter revenues up 579% to \$12.4 million from \$1.8 million, representing 272 units shipments
- Q3 YTD revenues up 171% to \$23.1 million from \$8.5 million, representing 525 unit shipments
- Q3 gross margin improves to 221% to \$167,000 from (\$138,000)
- Q3 YTD orders for 2011 deliveries total \$33.0 million, representing 719 vehicle orders
- Reaffirms 2011 revenue range of \$38 to \$45 million – expects 2011 revenues to be at the lower-end of this range

**OAK PARK, MI – November 14, 2011** – Azure Dynamics Corporation (TSX: AZD)(OTC: AZDDF), a world leader in the development and production of hybrid electric and electric components and powertrain systems for light and medium duty commercial vehicles, today announced its financial results for the periods ending September 30, 2011 and confirmed its 2011 financial outlook.

Revenues for the 2011 third quarter increased 579% to \$12.4 million compared to \$1.8 million in the third quarter of 2010. For the nine months ended September 2011, revenues rose 171% to \$23.1 million from \$8.5 million for the comparable period a year ago. Unit sales for the 2011 third quarter increased 196% to 272 compared to 92 for the same period last year. The 2011 third quarter included shipments of 143 Transit Connect Electric vans, which launched in April and June, 2011 in North America and Europe, respectively.

“We made significant progress in the third quarter on a number of fronts, and are particularly pleased to report initial revenue from our European operations,” said Scott Harrison, CEO of Azure Dynamics. “Although European shipments began in late June, about one-third of our revenues were generated from outside North America in the third quarter. As we continue to establish distribution relationships in additional countries, and subsequently increase our visibility with commercial fleet buyers, we expect the European contribution to continue to rise.”

“Meanwhile, despite sluggish municipal spending, revenue from the Balance™ Hybrid Electric powertrain was up 196% in the quarter to \$3.7 million,” Harrison said. “Although we expect Balance sales to continue to be negatively impacted by tight municipal budgets, these customers have substantial product needs and we remain hopeful that they will seek our energy and environmentally efficient products when they inevitably return to market.”

Net loss for the 2011 third quarter totaled \$9.8 million, or \$0.01 per share, compared to a loss of \$6.7 million, or \$0.01 per share, in the third quarter of 2010. Net loss for the 2011 nine month period totaled \$26.1 million, or \$0.04 per share, compared to a loss of \$17.7 million, or \$0.03 per share, in the comparable period a year ago. Unit sales for the 2011 nine month period totaled 525, including 249 Balance™ Hybrid Electric vehicles, 241 Transit Connect Electric vans, 34 Force Drive™ components and one LEEP unit. This compares to unit sales for the 2010 nine month period of 451, including 136 Balance™ Hybrid Electric vehicles, 67 Force Drive™ and other components and 248 LEEP units.

Gross profit for the 2011 third quarter improved 221%, to \$167,000 and for the 2011 nine-month period rose to \$470,000, or 2.0% of sales. Gross profit for the 2010 third quarter was (\$138,000) and for the 2010 nine-month period was (\$6,000).

New orders received during the third quarter of 2011 relating to current year deliveries were \$10.6 million, representing 178 vehicles, compared with second quarter 2011 orders of \$5.6 million and first quarter 2011 orders of \$16.8 million. For the 2011 nine-month period, new order intake for 2011 deliveries total \$33.0 million, representing 719 vehicle orders.

Engineering, research and development (“R&D”) expenses in the 2011 third quarter totaled \$5.7 million (including \$2.7 million in product development costs), compared to \$4.0 million (including \$3.8 million in product development costs, offset by \$1.4 million in customer contributions and \$1.3 million in government grants) for the same period in 2010. R&D expenses for the 2011 nine-month period totaled \$15.1 million (including \$8.6 million in product development costs, offset by \$3.4 million in customer contributions), compared to \$9.5 million (including \$9.6 million in product development costs, offset by \$2.2 million in customer contributions and \$5.6 million in government grants) for the same period in 2010.

As of September 30, 2011, the Company’s net cash and cash equivalents totaled \$1.3 million, and working capital totaled \$6.0 million, compared to cash and cash equivalents of \$11.7 million, and working capital of \$14.7 million, as of June 30, 2011.

On November 4, 2011, Johnson Controls’ Canadian subsidiary acquired, on a private placement basis, 30,796,969 common shares of Azure, at a price of CDN\$0.165 per common share, for gross proceeds to Azure of CDN\$5,081,500. As a result of this investment, Johnson Controls, through its Canadian subsidiary, now holds approximately 7.2% of the issued and outstanding common shares of Azure.

On November 11, 2011, the Company filed a final short form prospectus with the Canadian securities regulatory authorities indicating the terms and pricing of its previously announced public offering of common shares and warrants for gross proceeds of up to CDN\$6.1 million. The public offering is expected to close on or about November 18, 2011, subject to customary closing conditions.

## **2011 FINANCIAL OUTLOOK**

“Our focus in 2011 for Transit Connect Electric was to successfully introduce the program worldwide, establish and optimize our manufacturing facilities, begin building the distribution network and realize initial sales. We believe we have accomplished those goals and are encouraged by the interest shown for the product,” Harrison concluded.

Based on current market conditions, orders to date and future order expectations, the Company reaffirms its previous issued 2011 revenue range of \$38 to \$45 million and expects 2011 revenues to be at the lower-end of this range.

The Company's 2011 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.azureynamics.com](http://www.azureynamics.com).

### **Conference Call**

Management will host a webcast and conference call on Wednesday, November 16, 2011, at 10:00 a.m. Eastern Standard Time to discuss today's announcement in more detail. Interested listeners can access the call toll free at 1-877-317-6789 from the United States and at 1-866-605-3852 from Canada. Participants from outside North America can participate in the call by dialing 1-412-317-6789. It is recommended that you access the call at least fifteen minutes before the scheduled start time. An accompanying presentation will be posted to the company's website, [www.azureynamics.com](http://www.azureynamics.com), immediately prior to the call.

For those unable to participate in the live conference, a call replay will be posted on Azure's website no later than November 17, 2011.

### **About Azure Dynamics**

Azure Dynamics Corporation (TSX: AZD)(OTC: AZDDF) is a world leader in the development and production of hybrid electric and electric components and powertrain systems for light and medium duty commercial vehicles. Azure is strategically targeting the commercial delivery vehicle and shuttle bus markets and is currently working internationally with a variety of 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.azureynamics.com](http://www.azureynamics.com).

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

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### **Forward-Looking Statements Advisory**

*Certain information included in this press release constitutes forward-looking statements and information and future-oriented financial information under applicable securities legislation and is provided for the purpose of expressing management's current expectations and plans for the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions.*

*More particularly, this press release contains statements concerning Azure's anticipated: business development strategy, customer orders, product deliveries, sales, revenue and revenue growth, production costs, gross margins, third quarter 2011 results and financial outlook for 2011. The forward-looking statements are based on a number of key expectations and assumptions made by Azure, including expectations and assumptions concerning achievement of current timetables for development programs and sales, 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 used to develop the forward-looking statements 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 numerous risks and uncertainties that contribute to the possibility that the projections and forecasts in the forward-looking statements will not occur and that actual performance or results could differ materially from those anticipated in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks associated with Azure's stage of development, history of losses and lack of historical product revenues, unprecedented recent volatility in global financial and capital markets, uncertainty as to product development and sales milestones being met, product defect and performance risks, competition for capital and market share, uncertainty as to target markets, dependence upon third parties, changes in environmental laws or policies, uncertainty as to patent and proprietary rights, availability and retention of management and key personnel, exchange rate and currency fluctuations, uncertainties relating to potential delays or changes in plans with respect to product development or capital expenditures, the ability of Azure to access sufficient capital on acceptable terms, and environmental and safety risks. This is not an exhaustive list and additional information on these risks and other factors that could affect Azure's operations and financial results are included in reports on file with the Canadian securities regulatory authorities and can be accessed through the SEDAR website 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. Additionally, Azure undertakes no obligation to comment on the expectations of, or statements made by, third parties about Azure.*

**FOR MORE INFORMATION, CONTACT:**

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**Azure Dynamics Corporation**  
**Unaudited Interim Consolidated Balance Sheets**  
(Stated in thousands of Canadian dollars, except per share amounts and number of shares)

As at	September 30 2011	December 31 2010
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,291	11,737
Accounts receivable	7,325	10,107
Inventory (Note 3)	13,545	5,590
Prepaid expenses	1,238	949
<b>Total current assets</b>	<b>23,399</b>	<b>28,383</b>
<b>Non-current assets</b>		
Restricted cash	629	597
Investment in ND Solectria, LLC (Note 9)	324	319
Property and equipment (Note 9)	3,514	2,781
Other assets	74	114
Intangible assets	4,709	5,590
Goodwill	2,932	2,932
<b>Total non-current assets</b>	<b>12,182</b>	<b>12,333</b>
<b>Total assets</b>	<b>35,581</b>	<b>40,716</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	16,023	15,783
Customer deposits & deferred revenue	112	96
Current portion of government financial obligations (Note 4, 9)	1,143	993
Current portion of obligations under capital leases	106	82
<b>Total current liabilities</b>	<b>17,384</b>	<b>16,954</b>
<b>Non-current liabilities</b>		
Obligations under capital leases	75	96
Customer deposits & deferred revenue	494	507
Government financial obligations (Note 4, 9)	4,481	4,582
<b>Total non-current liabilities</b>	<b>5,050</b>	<b>5,185</b>
<b>Shareholders' equity</b>		
Share capital (Note 5)	227,170	208,570
Contributed surplus	10,040	8,271
Cumulative translation adjustment (Note 9)	363	32
Deficit	(224,426)	(198,296)
<b>Total equity</b>	<b>13,147</b>	<b>18,577</b>
<b>Total equity and liabilities</b>	<b>35,581</b>	<b>40,716</b>

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

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Revenues</b>	<b>12,426</b>	1,830	<b>23,125</b>	8,545
<b>Cost of sales</b>	<b>12,259</b>	1,968	<b>22,655</b>	8,551
<b>Gross profit</b>	<b>167</b>	(138)	<b>470</b>	(6)
<b>Expenses</b>				
Engineering, research, development and related costs, net	5,703	3,952	15,100	9,452
Selling and marketing	1,036	553	2,821	1,640
General and administrative	2,628	1,931	7,687	6,303
<b>Total expenses</b>	<b>9,367</b>	6,436	<b>25,608</b>	17,395
<b>Loss from operations</b>	<b>(9,200)</b>	(6,574)	<b>(25,138)</b>	(17,401)
Interest and other income, net	11	62	126	190
Interest expense	(256)	(241)	(776)	(690)
Foreign currency gains/(losses)	(464)	19	(540)	(52)
	<b>(709)</b>	(160)	<b>(1,190)</b>	(552)
<b>Net loss before the following</b>	<b>(9,909)</b>	(6,734)	<b>(26,328)</b>	(17,953)
Share of profit from investment in ND Solectria, LLC (Note 9)	66	72	198	214
<b>Net loss for the period</b>	<b>(9,843)</b>	(6,662)	<b>(26,130)</b>	(17,739)
<b>Other comprehensive (loss) income</b>				
Foreign currency translation differences of foreign operations	523	(19)	331	(1)
<b>Total comprehensive income (loss) for the period</b>	<b>(9,320)</b>	(6,681)	<b>(25,799)</b>	(17,740)
<b>Loss per share – basic and diluted</b>	<b>(0.01)</b>	(0.01)	<b>(0.04)</b>	(0.03)
Weighted average number of shares – basic and diluted	<b>689,433,691</b>	626,739,390	<b>679,676,180</b>	613,434,616

**Azure Dynamics Corporation**  
**Unaudited Interim Consolidated Statements of Cash Flows**  
**(Stated in thousands of Canadian dollars, except per share amounts and number of shares)**

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Net loss for the period	(9,843)	(6,662)	(26,130)	(17,739)
Adjustments for:				
Amortization of property and equipment	322	252	930	707
Amortization of intangible assets	331	328	992	982
Amortization of other assets	19	-	52	-
Unrealized foreign currency (gains)/losses	104	(20)	40	28
Share of profit receivable from ND Solectria, LLC (Note 9)	(96)	(72)	(216)	(214)
Stock option compensation expense	281	123	1,597	631
Deferred share units compensation expense	79	63	227	180
Accretion expense on government financial obligations	250	235	762	669
	<u>(8,553)</u>	<u>(5,753)</u>	<u>(21,746)</u>	<u>(14,756)</u>
Changes in non-cash working capital items	(1,481)	(1,348)	(4,970)	203
<b>Total net cash flows from operating activities</b>	<u>(10,034)</u>	<u>(7,101)</u>	<u>(26,716)</u>	<u>(14,553)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issue of common shares	8	13	20,205	6,355
Payment for share issuance costs	-	-	(1,660)	(49)
Principal repayments on government financial obligations	-	-	(713)	(26)
Repayment of obligations under capital lease	(15)	(36)	(66)	(129)
Other assets	-	(122)	(12)	(122)
<b>Total cash flows from financing activities</b>	<u>(7)</u>	<u>(145)</u>	<u>17,754</u>	<u>6,029</u>
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	(410)	(333)	(1,525)	(868)
Acquisition of intangible assets	(36)	(46)	(111)	(114)
Dividend received from ND Solectria, LLC (Note 9)	71	69	207	209
Changes in restricted cash	-	(1)	-	(13)
<b>Total cash flows from investing activities</b>	<u>(375)</u>	<u>(311)</u>	<u>(1,429)</u>	<u>(786)</u>
Decrease in cash and cash equivalents	(10,416)	(7,557)	(10,391)	(9,310)
Exchange impact on cash held in foreign currency	(17)	8	(55)	(14)
Cash and cash equivalents, beginning of period	11,724	31,707	11,737	33,482
<b>Cash and cash equivalents, end of period</b>	<u>1,291</u>	<u>24,158</u>	<u>1,291</u>	<u>24,158</u>

**Azure Dynamics Corporation**  
**Unaudited Interim Consolidated Statement of Changes in Equity**  
**(Stated in thousands of Canadian dollars, except per share amounts and number of shares)**

For the nine months ended September 30, 2011 and 2010

	Number of shares	Share capital	Contributed surplus	Cumulative translation adjustment	Retained earnings (deficit)	Total
<b>January 1, 2011</b>	<b>626,880,454</b>	<b>\$ 208,570</b>	<b>\$ 8,271</b>	<b>\$ 32</b>	<b>\$(198,296)</b>	<b>\$ 18,577</b>
Equity financing	60,984,848	20,125	-	-	-	20,125
Share issue costs	-	(1,660)	-	-	-	(1,660)
Exercise of options	1,616,193	80	-	-	-	80
Reclass on exercise of options to share capital	-	55	(55)	-	-	-
Share-based compensation	-	-	1,597	-	-	1,597
Awards of Deferred share units	-	-	227	-	-	227
Net loss	-	-	-	-	(26,130)	(26,130)
Effects of foreign currency translation	-	-	-	331	-	331
<b>September 30, 2011</b>	<b>689,481,495</b>	<b>227,170</b>	<b>10,040</b>	<b>363</b>	<b>\$(224,426)</b>	<b>\$ 13,147</b>
<b>January 1, 2010</b>	<b>605,084,932</b>	<b>202,250</b>	<b>7,150</b>	<b>-</b>	<b>(169,081)</b>	<b>40,319</b>
Equity financing (Note 5)	21,080,000	6,324	-	-	-	6,324
Share issue costs	-	(49)	-	-	-	(49)
Exercise of options	702,333	31	-	-	-	31
Reclass on exercise of options to share capital	-	18	(18)	-	-	-
Share-based compensation	-	-	631	-	-	631
Awards of Deferred share units	-	-	180	-	-	180
Net loss	-	-	-	-	(17,739)	(17,739)
Effects of foreign currency translation	-	-	-	(1)	-	(1)
<b>September 30, 2010</b>	<b>626,867,265</b>	<b>\$ 208,574</b>	<b>\$ 7,943</b>	<b>\$ (1)</b>	<b>\$(186,820)</b>	<b>\$ 29,696</b>