



News Release

Azure Dynamics Announces the Acquisition of US-based Solectria, a Leading Hybrid Electric System Supplier

Toronto, Ontario – December 17, 2004

[Azure Dynamics Corporation](#) ([TSX – AZD](#) & [LSE - ADC](#)) (“Azure”, “Azure Dynamics” or the “Company”) a leading developer of hybrid electric powertrains for commercial vehicles is pleased to announce they have reached agreement to acquire all of the outstanding shares of Solectria Corporation (“Solectria”), a leading US hybrid electric powertrain and components supplier to the US military and builder of parallel hybrid electric systems for commercial vehicles.

The acquisition is made in exchange for approximately 25,681,000 common shares resulting in Solectria’s shareholders owning 20% of Azure’s issued and outstanding common shares post-closing.

Azure Dynamics believes that the acquisition creates many significant benefits to its shareholders:

- Solectria is a supplier of hybrid electric vehicles to the US Military and of heavy-duty hybrid electric commercial vehicles to customers such as DHL and USPS;
- Solectria is based in Boston Massachusetts thereby providing Azure with an established base from which to immediately expand its US business;
- Solectria has an order book of over US\$8.0 million;
- Solectria has focused on the light and heavy vehicle weight categories which, when combined with Azure’s focus on the light and medium categories provides the combined company with a broader based product offering;
- The broader product offering can be marketed over a wider geographic territory, in particular with Azure’s UK and European focus;
- Singapore Technologies Kinetics (“ST Kinetics”), a division of Singapore Technologies Engineering (“ST Engineering”) and a major Solectria shareholder will hold approximately 10% of the common shares of Azure upon completion of the transaction – ST Kinetics has a marketing arm in China which will market the company’s product throughout China and South East Asia thereby further extending market coverage;
- The addition of Solectria’s employees will double Azure’s engineering base – the combined company will have well over 25,000,000 miles of hybrid electric and electric vehicle experience;
- Solectria has an established Parts and Service operation thus providing Azure with important additional infrastructure; in addition Solectria is ISO 9001: 2000 certified;
- Solectria has parallel hybrid electric products and infrastructure available to supplement Azure’s series hybrid product resulting in substantial future savings of development time and costs;
- Solectria’s product range is complementary to Azure’s – Solectria has Parallel hybrid technology and products whereas Azure has Series hybrids and as a result cross-selling opportunities are immediately available.

Azure's CEO Campbell Deacon stated, "This is a great opportunity for Azure to gain a US base and strengthen our market-leading position. We believe the hybrid electric commercial vehicle industry is going to experience consolidation in the near and medium term and this acquisition positions Azure at the forefront of our industry and as a world leader in hybrid electric systems for commercial vehicles."

Wu Tzu Chien, President of ST Kinetics said, "This is an excellent way for ST Kinetics to move our investment in hybrid electric technology into a more dominant market position. We believe this partnership will unlock the value, built over many years, in Solectria. The complementary nature of our product lines creates engineering and sales synergies. We see significant opportunities for Azure in the Far East and China and will be working with them to develop these markets."

John Mulcair, the President and COO of Solectria, will become President and COO of the combined company. John's extensive experience in successfully guiding public companies, including International Power Machines Corp. (Amex listed) where he was Chairman and CEO, will benefit Azure in ensuring the combined operations deliver product in a timely and efficient manner. David Deacon will remain on the Board of Directors and become Executive VP Marketing and Business Development. He will retain responsibility for branding, marketing and high level sales. James Worden, founding shareholder and CEO of Solectria, will independently pursue opportunities in the renewable energy sector and become a member of the Azure Dynamics Advisory Board.

For the year ended September 30, 2004 (unaudited), Solectria earned third party revenues of US\$5.1 million, related party revenues of US\$0.4 million, incurred a net loss of US\$1.8 million, and had net assets of US\$1.6 million. The acquisition is expected to close in January 2005 and is subject to regulatory and applicable government approvals.

[Azure Dynamics Corporation](#) provides Hybrid Electric and Electric Vehicle technology for commercial and military vehicles. Azure is a public company trading on both the TSX Exchange in Canada as well as the AIM market in London, UK. The Company is currently working with various partners and customers worldwide including Purolator Courier Ltd., Canada Post, London Taxis International, US Department of Defence, Leyland Product Development, Renault Trucks UK and the United States Postal Service. Azure has employees based in North America and Europe. For more company information please visit our website at www.azuredynamics.com.

[Solectria Corporation](#), of Woburn, Massachusetts, is a world leader in the development and manufacturing of a wide range of components for electric, hybrid, and fuel cell vehicles, and for the distributed generation of electric power. Solectria also provides comprehensive engineering services for electric drivetrain design and integration. Over 4,000 vehicles worldwide (greater than 25 million miles) -- including cars, trucks, buses, and industrial machines -- rely on Solectria's proprietary drive system technology. For more information please visit www.solectria.com

[Singapore Technologies Kinetics](#) is the land systems arm of ST Engineering, a manufacturer of both commercial and military vehicles and related products.

[Singapore Technologies Engineering](#) is an integrated engineering group providing solutions and services in the aerospace, electronics, land systems and marine sectors. Headquartered in Singapore, the Group reported revenues of S\$2.82 billion in FY2003. Its market capitalisation of about S\$6 billion ranks it among the ten largest companies listed on the Singapore Exchange. ST Engineering has 12,000 employees worldwide, and over 100 subsidiaries in 15 countries and 22 cities. For more information please visit <http://www.stengg.com>

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

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