



## Azure Dynamics Announces First Quarter Results

**Oak Park, MI – May 12, 2008** – Azure Dynamics Corporation (TSX: AZD, LSE: ADC & OTCQX: AZDDF) – (“Azure” or the “Company”), a leading developer of hybrid electric and electric powertrains for commercial vehicles today reported its first quarter financial results for the period ending March 31, 2008. The Company also provided an update on corporate and product development activities.

### First Quarter 2008 Highlights

- Finalized supply agreement with Utilimaster for commercial production of its Balance Hybrid Electric (P1) commercial vehicles
- Completed a production build of 25 hybrid chassis on the production line at the Company’s manufacturing assembly partner, Utilimaster. The build included 20 hybrid chassis which will be delivered to FedEx in the second quarter of this year
- Signed an MOU with the leading manufacturer of aerial boom trucks, for its “LEEP Lift” (Low Emission Electric Power) product.
- During the first quarter Azure received five lead orders for the Balance Hybrid Electric (P1) Ford E450 cab-chassis from major shuttle bus manufacturers and body builders.

“The first quarter set the foundation for us to capitalize on a number of market opportunities,” Azure Dynamics’ Chief Executive Officer, Scott T. Harrison said. “We added to those production opportunities early this quarter by completing critical pilot testing for two key customers and also increasing our exposure to many new investors by becoming listed on the International OTCQX, our first ever listing on a U.S. based trading platform. There’s a huge potential U.S. market for Azure and the OTCQX puts us in position to take advantage of it.”

### Financial Results

Revenue for the first quarter of 2008 totaled \$0.4 million compared to \$0.2 million in the first quarter of 2007. The increase in revenue in the quarter was due to a shipment of a Series Hybrid “CitiBus”. Net loss for the first quarter of 2008 was \$7.9 million, or \$(0.03) cents per share, compared to a loss of \$6.5 million or \$(0.03) cents per share in the first quarter of 2007. The higher loss in the quarter is primarily attributable to reorganization costs, higher levels of engineering expenses and negative gross margin during the current quarter. Reorganization costs incurred by the Company relate primarily to changes in management as the Company completes its transition from development stage to a commercial enterprise. Engineering expenses were higher as a result of the Company’s ongoing technology development. Negative gross margin in the quarter was primarily the result of negative production variances typically associated with lower volume early stage production.

Before contributions, the Company’s engineering, operations and product development expenses for the quarter totaled \$4.8 million (including \$2.4 million in product development costs), compared to \$4.2 million for the same period in 2007 (including \$2.4 million in product development costs). During the first quarter, the Company continued to focus on the development of its Balance Hybrid Electric program and component development, as well as

ongoing production activities associated with the Series Hybrid shuttle buses and electric components.

As of March 31, 2008, the Company's net cash and cash equivalents totaled \$13.7 million, and working capital totaled \$25.1 million, compared to cash and cash equivalents of \$20.6 million, and working capital of \$26.1 million, as at March 31, 2007, and cash and cash equivalents of \$24.1 million, and working capital of \$32.3 million, as at December 31, 2007. The reduction in net cash and cash equivalents from December 31, 2007 is mainly due to cash used in support of product development and the Company's ongoing efforts to commercialize its products.

## **Product Developments**

### Series Hybrid Electric (G1):

- Purolator's fleet of 49 series hybrid vehicles has accumulated over 600,000 miles as of March 31, 2008. The vehicles are deployed in Montreal, Ottawa, Toronto and Vancouver. Of the 49 vehicles, 19 series diesel hybrids are approaching 3 years in service, while 30 series gas hybrids have just surpassed a year in-service this quarter.
- As of March 31, 2008 Azure had completed the assembly of 54 of a 59 unit Series hybrid cab chassis production run at Production Concepts, Inc. The hybrid cab chassis' will be completed into shuttle buses in the coming quarters to meet customer sales demand.
- Series hybrid shuttle buses ("CitiBus") entered service with Bronx Overall Economic Development Commission (BOEDC) in New York.

### Balance Hybrid Electric (P1):

- Three demonstration vans were placed in service with previously announced lead customers including FedEx (November 2007), Purolator and a leading North American courier fleet.
- Azure completed the initial design and prototypes for the shuttle bus variant of the Ford Balance Hybrid Electric E450 in the quarter. Furthermore, a test bus was sent to Altoona in April 2008, where it will begin its 7 year accelerated durability test. Once the testing is complete, the Balance Hybrid Electric shuttle bus will be eligible for funding programs administered by the Federal Transit Administration (FTA) in the United States.
- As mentioned earlier, the management changes completed during the quarter allows Azure to support the production of 105 Balance Hybrid Electric E-450's to be delivered to Purolator in the second half of 2008.

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

- Within the quarter, Azure completed further testing on the LEEP Freeze refrigeration units including the monitoring of a unit in service at Citi Harvest in New York City. The LEEP Freeze refrigeration design is now completed and released and the company is supporting Kidron in sales development activities for the product.
- On March 19, 2008, Azure signed a memorandum of understanding (MOU) with a leading manufacturer of aerial boom trucks for the electric utility, telecommunications and contractor markets for its LEEP Lift product. The development of a demonstration vehicle with the manufacturer also commenced within the quarter.

### Force Drive (Electric Solutions):

- During the quarter, Azure continued the production of its Force Drive systems planned for delivery against a 200 unit release within the supply agreement with Electro Autos of Mexico. Azure's scope of supply for the 1,000 Force Drive systems includes the motor, controller, gearbox and DC/DC converters.

The Company's fiscal 2008 first 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).

### **Annual General Meeting**

All interested parties are invited to attend the Annual Shareholder Meeting on June 10, 2008 at 4:30 p.m. (local time) at The National Club, 303 Bay Street, Toronto, Ontario. In addition to the formal business described in the Management Information Circular there will be a management presentation on business activities and the Company's 2007 financial results

### **About Azure Dynamics**

[Azure Dynamics Corporation \(TSX: AZD\) \(LSE: ADC\) \(OTCQX: AZDDF\)](#) 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.azureynamics.com](http://www.azureynamics.com).

*The TSX and LSE Exchanges do 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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