

## AZURE DYNAMICS (ADC) 12<sup>th</sup> August 2005 Investor's Chronicle

As more foreign companies join Aim, their accounts warrant close scrutiny. One eye-popping figure in the lengthy notes of Azure's 2004 accounts is the fact that it spent \$1m to raise \$3m when it floated on Aim last summer. It also spent a similar figure on an associated Capital Assurance Agreement, which raised \$8.5m when warrants under the scheme were exercised last December.

But all this expense seems to be worthwhile - the share price has been buoyant in 2005, and Azure raised a further \$11.7m via a placing at 41p in February. The Aim listing also allowed it to become eligible for \$3m of Canadian government money. The funds are being used to develop and sell environmentally-friendly electric and internal-combustion vehicles, that also offer fuel and maintenance cost savings. The company has supplied 30 electric vehicles to the US postal service in New York state, and the same customer is testing a combo engine for a two-ton step van.

To date, Canada's leading courier company, Purolator, has taken delivery of 10 combos out of an initial order of 30, and could purchase up to 2,000 under a five-year supply agreement, signed in 2003 and valued at \$90m. Last February, Azure signed an agreement with Smiths Electric Vehicles - part of Tanfield Group - to integrate its powertrain technology, including traction motors, in Smith's electric vehicles.

Azure's technology includes using braking kinetic energy and the internal-combustion engine to recharge the battery when the vehicle is running on electric power. Last December, Calgary-based Azure bought a US rival, Solectria, for 25.68m shares. It gives it a base in Boston, Massachusetts, and links to the US military via Solectria's sales of hybrid electric power-trains and components. Azure outsources all of its components, with Siemens supplying the electric motors and Ford supplying the internal-combustion engines.

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<b>Ord price: 43.5p</b>	<b>Market value: £44.71m</b>
<b>Touch: 42-45p</b>	<b>12-month High: 55p Low: 20.5p</b>
<b>Dividend yield: nil</b>	<b>PE ratio: na</b>
<b>Net asset value: 16¢</b>	<b>Net cash: \$14.3m</b>

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<b>Year to 31 Dec</b>	<b>Turnover (\$000)</b>	<b>Pre-tax profit (\$m)</b>	<b>Earnings per share (¢)</b>	<b>Dividend per share (¢)</b>
2003	47	-3.83	-0.08	nil
2004	208	-8.20	-0.10	nil

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**Market makers: 4**  
**Traded on Aim**



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The question is: how big will sales be? As a tech bet, the shares are a buy.