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FOR: **ELECTROVAYA INC.**

TSX SYMBOL: EFL

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Electrovaya Announces Second Quarter Fiscal 2004 Financial Results

TORONTO, ONTARIO--(CCNMatthews - May 18, 2004) -

Revenue up 17% from the same quarter in Fiscal 2003

Electrovaya Inc. (TSX:EFL) today announced financial results for the second quarter ended March 31, 2004. All figures are in US dollars.

Second Quarter Highlights

- Second quarter revenue for 2004 was up 17% from the second quarter of fiscal 2003.
- Gross profit of \$139,000 or 9% of revenue, compared to \$7,000 or 0.5% for the same quarter in the prior year.
- Excluding the impacts of government assistance and foreign exchange gains and losses, the cash burn rate was \$1.1 million, down \$1.5 million from \$2.6 million in the second quarter of fiscal 2003. Overall cash burn was \$1.3 million compared to \$1.1 million in the same quarter in Fiscal 2003.
- Scribbler 2000 series receives positive reviews from a variety of technology publications, including PC World, Laptop and Mobile PC magazines, as well as from on-line publications such as Medical Tablet PC.com, Geek.com and CNET.com.

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Summary of Financial Results

In thousands of US\$ except per share amounts	3 months ended		6 months ended	
	March 31		March 31	
	2004	2003	2004	2003
Revenue	\$1,593	\$1,364	\$3,174	\$2,247
Expenses	2,817(a)	2,937	5,865(a)	6,177
Loss from operations before interest, taxes and amortization	\$(1,224)	\$(1,573)	\$(2,691)	\$(3,930)
Loss for the period	\$(1,861)	\$(2,379)	\$(4,263)	\$(5,280)
Loss per share	\$0.03	\$0.03	\$0.06	\$0.08
Cash & investments	\$15,668	\$16,750	\$15,668	\$16,750

(a) Net of Government assistance of \$127 and \$371 for the quarter and six months ending March 31, 2004. (Quarter and six months ending March 31, 2003: NIL)

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"We continued to work hard on all fundamental aspects of mobile computing, battery technology, aerospace and zero emission vehicles" said Sankar Das Gupta, President and CEO of Electrovaya. "Our work continued to pay off during the quarter, as our cash burn declined at the same time as we continued to invest heavily in research and development."

Second Quarter

For the second quarter of fiscal 2004, Electrovaya reported revenue of \$1.6 million compared with \$1.4 million in the same quarter of 2003. Excluding the impact of government assistance, the loss from operations before amortization, interest income and foreign exchange losses decreased to \$1.4 million from \$1.6 million in the same quarter last year. The loss per share for the quarter was unchanged at \$0.03 for the quarters ending March 31, 2004 and March 31, 2003.

Expenses

Cost of goods sold is comprised of the material, labor and manufacturing overhead associated with the production of SuperPolymer(R) batteries, the Scribbler tablet PC and machine building for third parties, as well as direct labour costs related to research service revenues. For the quarter ending March 31, 2004 cost of goods sold increased by 7.1% to \$1.5 million from \$1.4 million for the quarter ending March 31, 2003.

The Company reported a gross profit of \$0.14 million for the quarter ending March 31, 2004 compared to \$0.07 million gross profit for the quarter ending March 31, 2003 due to improved sales efficiencies and a change in product mix towards sales of products and services with higher profit margins and increased

labor and material efficiencies.

Research and development expenses, net of investment tax credits, decreased by approximately \$0.1 million or 15.8% to \$0.6 million for the quarter ended March 31, 2004 from \$0.7 million in the quarter ending March 31, 2003. During the second quarter of 2004, the company received funding of \$0.1 million from Technology Partnerships Canada.

Sales and marketing expenses decreased to \$0.3 million for the second quarter of fiscal 2004 from \$0.4 million in the second quarter of fiscal 2003 primarily due to a reduction in Scribbler advertising expenses.

General and administrative expenses increased by approximately \$0.2 million compared to the same quarter in 2003 primarily due to an increase in salaries and benefits, including an increase in customer service salaries, and an increase in audit and legal fees and bad debt expense.

During the quarter, interest income increased by 26.8% to \$0.07 million from \$0.06 million for the quarter ended March 31, 2003. The Company derived interest in both periods from cash and short-term investments. The increase in interest income resulted from the strengthening US dollar.

Liquidity and Capital Resources

As at March 31, 2004, the Company had \$15.7 million in cash, cash equivalents and short-term investments, a decrease of \$1.3 million from the quarter ending December 31, 2003. Cash used in operating activities was \$0.9 million for the quarter ended March 31, 2004 versus \$2.6 million for the quarter ended March 31, 2003. Net cash used in operating activities for the current quarter reflects the operating loss of \$1.9 million offset by amortization of \$0.8 million and a decrease in non-cash operating working capital of \$0.2 million.

Conference Call Notice

Electrovaya will host a conference call on Tuesday, May 18, 2004 at 4:30 PM EST. The call can be accessed by dialling (416) 640-1907 or (800) 814-4859 or through a replay available at (416) 640-1917 (pass-code 21051235#). The call will be web cast live on the Internet at www.electrovaya.com and www.newswire.ca/webcast/.

About Electrovaya Inc.

Electrovaya's goal is to become the leading provider of tablet PC's, portable power for the notebook computer, aerospace and wireless sectors, and to apply its technology to a broad spectrum of alternative energy applications including UPS, stand-by power and zero-emission vehicles. It develops, manufactures and sells high value products globally using award winning patented proprietary lithium ion SuperPolymer(R) rechargeable battery technology, which delivers the highest energy density of any battery technology on the market today. Electrovaya has designed, developed and markets the Scribbler(TM) Tablet PC which offers longer run time than any other Tablet PC currently available. The

Company's shares trade on the Toronto Stock Exchange under the symbol EFL

For more information about the Company and its products, please visit our website at www.electrovaya.com.

Forward-Looking Statements

This news release may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. Risks are outlined in the Company's Annual Report for the year ending September 30, 2003 and are set forth in public disclosure documents filed with Canadian regulatory authorities. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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ELECTROVAYA INC.

Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	March 31, 2004 (Unaudited)	September 30, 2003 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$13,025	\$6,178
Short-term investments	2,643	11,415
Accounts receivable	1,242	1,047
Inventories (note 2)	3,212	2,852
Investment tax credits recoverable	415	427
Goods and Services Tax receivable	29	55
Prepaid expenses and other	211	138
	20,777	22,112
Capital assets	10,634	12,024
	\$31,411	\$34,136
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$2,643	\$1,760
Income taxes payable	-	6

	2,643	1,766
Shareholders' equity		
Share capital (note 3)	63,729	63,729
Cumulative translation adjustment	1,615	954
Deficit	(36,576)	(32,313)
	-----	-----
	28,768	32,370
	-----	-----
	\$31,411	\$34,136
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See accompanying notes to unaudited consolidated financial statements.

These unaudited interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2003.

ELECTROVAYA INC.

Un-audited Consolidated Statements of Operations and Deficit
(Expressed in thousands of U.S. dollars except share and per share amounts)

	Three months ended March 31,		Six months ended March 31,	
	2004	2003	2004	2003
Revenue	\$1,593	\$1,364	\$3,174	\$2,247
Cost of goods sold	1,454	1,357	2,891	2,278
Gross margin	139	7	283	(31)
Expenses				
Research and development	565	671	1,154	1,464
Government assistance (note 4)	(127)	-	(371)	-
Sales and marketing	255	427	811	1,396
General and administrative	670	482	1,380	1,039
	-----	-----	-----	-----
	1,363	1,580	2,974	3,899
Loss before the undernoted	(1,224)	(1,573)	(2,691)	(3,930)
Amortization	752	666	1,521	1,295
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Loss from operations	(1,976)	(2,239)	(4,212)	(5,225)
Interest income	71	56	160	185
Gain (loss) from foreign exchange	44	(196)	(211)	(240)
	115	(140)	(51)	(55)
Loss before income taxes	(1,861)	(2,379)	(4,263)	(5,280)
Income tax expense	-	-	-	-
Net loss for the period	(1,861)	(2,379)	(4,263)	(5,280)
Deficit, beginning of period	(34,715)	(25,338)	(32,313)	(22,437)
Deficit, end of period	\$(36,576)	\$(27,717)	\$36,576	\$27,717
Loss per common share, basic and diluted	\$(0.03)	\$(0.03)	\$(0.06)	\$(0.08)
Weighted average number of shares outstanding, basic and diluted	69,539,109	69,539,109	69,539,109	69,539,109

See accompanying notes to unaudited consolidated financial statements.

These unaudited interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2003.

ELECTROVAYA INC.

Un-audited Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

	Three months ended March 31,		Six months ended March 31,	
	2004	2003	2004	2003
Cash provided by (used in)				
Operating activities				
Loss for the period	\$(1,861)	\$(2,379)	\$(4,263)	\$(5,280)
Amortization which does				

not involve cash	752	666	1,521	1,295
Change in non-cash operating working capital	162	(914)	285	(1,529)
	(947)	(2,627)	(2,457)	(5,514)
Investing activities				
Additions to capital assets	(62)	(91)	(130)	(135)
Decrease in short-term investments	8,358	4,140	8,771	18,089
	8,296	4,049	8,641	17,954
Increase in cash and cash equivalents				
	7,349	1,422	6,184	12,440
Effect of currency translation adjustments on cash and cash equivalents				
	(292)	1,606	663	1,781
Cash and cash equivalents, beginning of period				
	5,968	13,722	6,178	2,529
Cash and cash equivalents, end of period (note 1 (f))				
	\$13,025	\$16,750	\$13,025	\$16,750
Supplemental disclosure of cash flow information				
Income taxes paid	\$43	\$68	\$43	\$68
Interest received	98	132	186	356

See accompanying notes to consolidated financial statements.

These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2003

ELECTROVAYA INC.

Un-audited Consolidated Statements of Operations and Deficit
(Expressed in thousands of U.S. dollars except share and per share amounts)

Three and six months ended March 31, 2004

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Electrovaya Inc. (the "Company"), incorporated in 1996 under the

Business Corporations Act (Ontario), develops, manufactures and markets portable power technology products using its patented lithium ion SuperPolymer(R) technology.

1. Significant Accounting Policies

(a) Basis of presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

The disclosures contained in these unaudited interim consolidated financial statements do not include all disclosures required under Canadian generally accepted accounting principles (GAAP) for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended September 30, 2003.

The unaudited interim consolidated financial statements are based upon accounting policies consistent with those used and described in the annual consolidated financial statements, except as noted herein. The interim financial statements are not considered to be materially affected by seasonal or cyclical factors.

Management believes these unaudited interim consolidated financial statements include all adjustments, including normal recurring adjustments, necessary to present fairly the financial position of the Company as at March 31, 2004 and the results of its operations and its cash flows for the six and three months ended March 31, 2004. Results for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the entire year.

(b) Change in Accounting policy

Prior to January 1, 2004 the Company applied the fair value based method of accounting prescribed by CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, only to employee stock appreciation rights, and applied the settlement method of accounting to employee stock options. Under the settlement method, any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital and no compensation expense was recognized.

Effective January 1, 2004, in accordance with one of the transitional options permitted under amended Section 3870, the Company has prospectively applied the fair value based method to all employee stock options granted on or after October 1, 2003. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. There is no effect of prospectively adopting the fair value based method on net income and loss per share for the period.

(c) Use of estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of bad debt reserves and warranty accruals at the date of the financial statements. Sales returns and bad debts are determined based on past experience for the prior one year applied against sales for the quarter. Bad debts are determined based the ageing of accounts receivable where such amounts are not insured and considered uncollectible. Warranty accruals are based on the actual warranty experience rate for the past year and sales during the most recent warranty period. Actual results could differ from the estimates.

(d) Segmented Information

The Company has no distinct operating segments and has no operating assets located outside of Canada.

(e) Cash and cash equivalents

Cash and cash equivalents consist of investments with maturities of less than 90 days.

2. Inventories

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Inventories consist of:

	March 31, 2004 (Unaudited)	September 30, 2003 (Audited)
Raw materials	\$1,122	\$1,095
Work in progress	1,846	1,703
Finished goods	244	54
	\$3,212	\$2,852

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3. Share capital

As at March 31, 2004, the Company had outstanding 69,539,109 common shares (69,539,109 at September 30, 2003) outstanding and 1,588,266 (1,599,000 as at September 30, 2003), options to acquire common shares under the Company's employee incentive plan.

4. Government Assistance

The Company has been approved for funding under the Technology Partnerships Canada initiative of Industry Canada. The funding is to support the Company's research and development efforts in fast batteries and electric vehicles. The Company will receive

contributions of up to 29.7% of the specified costs of the development project, to a maximum amount of \$6.7 million. Under the terms of the agreement, an amount up to a maximum of \$31,075 is to be repaid by royalties, commencing in 2007 through to 2013, with payment to be deferred or reduced if certain revenue thresholds are not achieved. The Company received \$1,140 during fiscal 2003 and \$244 during the first quarter and \$127 in the second quarter of fiscal 2004.

5. Related Party Transactions

The Company leases its Hanna Avenue premises in Toronto, Ontario, from a company owned by its controlling shareholders for \$209 per year plus GST and business tax. The lease was renewed from January 1, 2003 to December 31, 2003. In June, 2003, an additional 11,800 square feet at \$80 per year plus GST and business tax was secured by the Company until December, 2003 with one rent-free month. Beginning in January, 2004, the Company occupied these premises on a monthly basis. In April, 2004, the premises were sold by the controlling shareholders to an independent third party.

Electrovaya has invested \$115 in a private company engaged in the business of producing and evaluating lithium iron phosphate battery technology in return for 6% of its Class A and 21% of its Class B shares. Additionally, the Company provided research and development services and received 30% of the outstanding non-voting, participating Class B shares in consideration of their services. The Class B shares are convertible into Class A voting, participating shares in the event the company becomes registered on a stock exchange. During the quarter, Electrovaya provided a \$38 loan to the company to assist with the operation of a pilot plant. The original investment, additional shares and loan have been valued at Nil as at the end of March 31, 2004.

6. Stock Compensation

The Company has not granted stock options during the current year and no additional stock option expense has been recognized in the current quarter.

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FOR FURTHER INFORMATION PLEASE CONTACT:

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