To our shareholders

For the third straight year, we achieved double-digit growth in our total revenue, driven by increasing product sales. Total revenue for fiscal 2009 increased 16 percent to $8.7 million with product sales increasing 22 percent to $6 million compared to last year. As a result of increasing volume and improved productivity, our margins improved and losses decreased. Our gross profit margins climbed to 20 percent resulting in an increase in gross profit contribution of $.7 million to $1.8 million for the fiscal year.

In the face of a major recession and declining economy, we were able to improve our financial performance. Many companies, particularly in the automotive sector, have been reporting large decreases in revenue and increasing losses while we experienced the opposite. Our increase in revenue for the fiscal year was driven by a 59 percent increase in unit sales of our two primary electric and hybrid vehicle propulsion system products. Interest in, and demand for, these products continues to be strong and we are responding to many new requests for quotes and proposals. The threat of global warming, the likely return of high fuel prices, the constant reminder of our dependence on foreign oil and the expected benefits of the U.S. Government's stimulus package appear to be effectively motivating vehicle makers and users to keep vehicle electrification a high priority.

"Our increase in revenue for the fiscal year was driven by a 59 percent increase in unit sales of our two primary electric and hybrid vehicle propulsion system products."

Production Programs

The economic downturn has had a negative impact on our conventional actuator motor business. We experienced a significant decline in shipments of auxiliary actuator motors to Lippert Components for use in recreation vehicles, and auxiliary brake actuators to Club Car that are used in their eight passenger golf carts. This revenue decrease was more than offset by increased revenue from our large propulsion systems.

In order to meet the increased demand for our large electric propulsion systems, we took a number of steps during fiscal year 2009 to increase our production capability and capacity. We expanded our manufacturing organization and installed, and are now operating, a Phase I assembly cell which will support the production of over 5,000 units per year on one shift of operation. This semi-automated cell includes a sophisticated material handling system, a motor final assembly machine and a production tester. The cell occupies about 1800 square feet and is tooled for two frame size motors covering a power range from 50 to 200 kW. In addition to achieving a significant increase in production capacity, this new manufacturing cell has provided major improvements in productivity and reductions in assembly costs, contributing to our improved margins. Establishing this manufacturing capability is a critically important step in winning production contracts with our larger customers and will be a key factor in our future success.

In the truck market, we increased our deliveries of DC-to-DC converters to Eaton Corporation. Our converters are part of Eaton's hybrid electric propulsion system which powers medium-duty hybrid trucks including International Truck and Engine Corporation's DuraStar™ Hybrid, Peterbilt Motor Company's Model 330 and Model 335 hybrids and Freightliner Trucks Business Class® M2e Hybrid. In addition to DC-to-DC converters, we have developed a companion DC-to-AC inverter that we expect to move into volume production to meet the growing demand for onboard and export power requirements of hybrid trucks. We view Eaton as a strategic customer and expect to expand the breadth of components sold to them.

With the addition of our new large propulsion motor assembly cell, we now have four dedicated manufacturing cells: 1) our auxiliary actuator motor cell for Lippert Components and Club Car, 2) our auxiliary compressor motor cell for Keith Products, 3) our DC-to-DC converter cell for Eaton Corporation and 4) our new large propulsion motor assembly cell.

Technology Programs

Despite the world economic slowdown, demand for our electric propulsion systems and related products has continued to be strong, driven by an expansion in the number of all-electric and hybrid electric vehicle platforms being developed for potential introduction into the automobile, truck, bus and military vehicle markets.

In order to meet this growing breadth of applications, we have expanded our propulsion system product offerings. In May of 2008, we introduced a new 125 kW (167 horsepower) propulsion system that is a higher power version of our existing 75 kW propulsion system. The 125 kW system has the same package size as the 75 kW system and the highest power density of any of our propulsion systems. In April of 2009, we introduced a new 145 kW (194 horsepower) propulsion system by extending the length of the 125 kW system by 2 inches and increasing its weight by 20 lb. With these additions we now offer a product family that includes 50 kW, 75 kW, 125 kW and 145 kW peak power systems in our smaller 11-inch diameter frame size and 100 kW and 150 kW peak power systems in our larger 16-inch diameter frame size, allowing us to meet a wide range of vehicle performance requirements.

In the passenger automobile market, we have increased our deliveries of prototype and evaluation propulsion systems and/or generators to six international automobile manufacturers (up from three last year). We are also supplying an increased number of electric propulsion systems and/or generators to eight entrepreneurial automobile developers (up from three last year). Several of these companies have announced plans to begin low volume production in 2009 and have taken delivery of limited quantities of our systems for field testing. At the Detroit Auto Show held in mid-January 2009, seven electric and hybrid electric vehicles were displayed which incorporate UQM® propulsion systems and/or generators.

A key factor in our growing penetration of the automobile market has been the recommendation and selection of UQM® systems by many vehicle integrators for use in electric and hybrid electric vehicle development programs that they are performing for their vehicle manufacturing customers. One of our most prominent internationally based integrators, FEV, Inc., recently introduced a Dodge Caliber-based range extended electric concept vehicle (ReEV) powered by a UQM® 125 kW propulsion system and 75 kW generator. The plug-in Caliber ReEV concept has an all-electric range of 40 miles, does 0 to 60 mph in 8.3 seconds and has a top speed of 84 mph. Our selection by FEV and other integrators for their customer vehicle development programs is a clear indication of the performance and packaging advantages of our systems, their ease of application and the high level of support we provide our customers.

FEV's plug-in hybrid Caliber ReEV

Although our primary focus in the truck market is through our relationship with Eaton Corporation, we are also working with both OEM and entrepreneurial electric and hybrid electric truck developers. One of our customers, Electrorides Inc., recently announced that it is developing an all-electric walk-in van based on a Freightliner Chassis. The vehicle is powered by a UQM PowerPhase® 150 electric propulsion system and will complement Electrorides' ZeroTruck™, an all-electric zero emission medium-duty truck also powered by a UQM® PowerPhase® electric propulsion system.

On the bus front, we have been providing propulsion systems to several developers of electric and hybrid electric buses, including the fleet of 36 hybrid electric buses that operate on the 16th Street Mall in downtown Denver. One of our most promising opportunities is with Proterra LLC, who in October 2008, introduced a 35-foot, lightweight, hybrid electric bus. This 37 passenger transit bus features a lightweight composite body and a UQM® PowerPhase® 150 electric propulsion system. A battery electric version of Proterra's bus was recently tested by the Pennsylvania Transportation Institute and achieved over 20 miles per gallon in fuel economy equivalency, which is up to 400 percent better performance than today's conventional diesel and competitor's hybrid electric transit buses.

Our work on government programs, particularly for the U.S. military has remained strong and has the potential of major growth. During the year, we made significant progress on our contracts with the U.S. Air Force to develop advanced silicon carbide based power electronics, with the U.S. Navy to develop advanced shipboard electric motors and with the U.S. Department of Energy and California Energy Commission to develop a distributed electric power grid-connect interface system as part of the government's "smart grid" initiative. We have been developing and supplying systems to several major defense contractors as part of the Future Tactical Truck System (FTTS) and Joint Light Tactical Vehicle (JLTV) programs for transport vehicles as well as for the expected replacement for the High Mobility Multipurpose Wheeled Vehicle (HMMWV). We expect that our role in these programs will expand and lead to significant opportunities for the Company.

Summary

Although the weak economy has been a significant challenge to everyone, fiscal 2009 was an exciting and productive year for UQM Technologies. We believe that demand for our electric propulsion systems will remain strong for the foreseeable future as vehicle makers continue to focus on the development and introduction of electric and hybrid electric vehicles as part of the restructuring of the global automotive industry. While many automotive suppliers are going to be negatively impacted by this shift in product direction, there are going to be winners and we expect to be one of them.

We are very well positioned to benefit from President Obama's alternative energy push for energy independence, lower vehicle emissions and improved fuel efficiency. We are looking forward to additional revenue growth in fiscal 2010 as the positive impacts of the government's stimulus package take effect and the emerging markets we serve continue to develop and expand.

May 21, 2009

William G. Rankin

Chairman, President and Chief Executive Officer