27 September 2011

Optare plc
("Optare", the "Company" or the "Group")

Interim Results Announcement

For the six months ended 30 June 2011

CORPORATE STATEMENT

Optare (AIM:OPE), is pleased to announce its results for the six months ended 30 June 2011. A leading name in the UK bus and coach industry, Optare specialises in the design, manufacture and supply of single and double deck buses, is a leader in hybrid bus technology and also offers a comprehensive after-sales and bus refurbishment service.

OPERATIONAL HIGHLIGHTS

- Major investment in new Sherburn factory close to fruition. Relocation to the new facility was started in August 11 and is expected to be completed by mid-October 11.
- Six consecutive months of increasing output in H1.
- Investment in product development continued particularly in target export markets to achieve local market testing and approvals.
- Significant progress being made in export markets working collaboratively with Ashok-Leyland on potential major contracts.

FINANCIAL HIGHLIGHTS

- Order book increased from £24.4m H1 10 to £55m H1 11
- Gross margin improved from 10.1% H1 10 to 10.9% H1 11
- Term debt reduced from £4.5m H1 10 to £1.3m H1 11
- Turnover down from £27.1m H1 10 to £22.7m H1 11, 16% lower compared to a 27% fall in the market (Society of Motor Manufacturers and Traders data).
- EBITDA loss increased from £1.4m H1 10 to £2.5m H1 11 due to lower turnover, project related costs for the new factory and operational restructuring together with production ramp-up.

Commenting on the interim results Chief Executive Officer, Jim Sumner said;

"Whilst the UK market in the first half of 2011 continued to be challenging, substantial progress was maintained against the three year turnaround plan with investment in a new state of the art factory to support the business on its planned growth path in domestic and export markets. The business is also targeting to move back into profit following completion of the factory move."

For further information:

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CHAIRMAN'S STATEMENT

2011 is proving to be a milestone year for Optare. During the first half of 2011, the Board has continued to invest in the development of green technology products, as well as the considerable investment needed in the new factory along with the associated training of production staff to support higher build rates. The opening of the Sherburn factory this autumn will be the first new green field bus factory in the UK for nearly 40 years and with the continued support of the strategic partnership with Ashok-Leyland, the business is poised for further growth in the U.K and overseas markets.

John Fickling
Non-Executive Chairman **27 September 2011**

BUSINESS AND FINANCIAL REVIEW

- Turnover for the six months ended 30 June 2011 was £22.7 million (6 months to 30 June 2010: £27.1 million) due to a continuing reduction in UK market demand. Turnover has also been impacted by disruption to production from supply chain issues which have now been resolved.

- Despite a reduction in turnover the gross profit margin as a percentage of sales improved to 10.9% (2010: 10.1% and 10.8% before exceptional items) with the absolute profit margin at £2.5 million (2010: £2.9 million).

- The EBITDA for the period was a £2.5 million loss (6 months to 30 June 2010 £1.4 million loss). Operating loss for the business before exceptional costs was £3.2 million (2010:£2.3 million) on 16% lower turnover.

- Exceptional costs incurred in the period totalled £0.9 million principally comprising redundancy costs of £0.2 million, property disposal and closure costs of £0.2 million, supply chain disruption of £0.3 million and stock write downs of £0.2 million. (2010 £0.5 million – supplier insolvency of £0.2 million and £0.3 million due to redundancy and reorganisations costs).

- Loss per share for the period was reduced to 0.7p (2010:1.0p). Loss per share before exceptional costs was 0.5p (2010:0.8p.).

- The Board has continued to invest in the long-term future of the business with capital expenditure of £1.2 million in the first half of 2011 (£0.3 million in 2010). The expenditure was principally on the first phase of investment in the new Sherburn plant and investments in new product development. The balance of the planned £2.5 million capital expenditure on the new factory at Sherburn will occur mainly during Q3 of 2011.

Current Trading and Prospects

- The current order book stands at £46 million versus £55 million as at 30 June. This reflects a continuing ramp-up in production to meet customer delivery requirements in H2. With this secured order book, Optare has achieved eight consecutive months of increased production output year to date. Output growth is expected to continue through to year end with the benefit of increased capacity of the new factory in Q4.

- During this ramp-up in production the Board continues to closely monitor suppliers and their ability to grow with the business. The lack of credit insurance in the market in general and in our sector in particular is also a challenge and is an important part of discussions in relation to agreeing appropriate levels of the working capital facility for the business moving forward.

- Relocation to the new factory at Sherburn heralds a major shift for the business from a 'coach building' model to a 'modern assembly' environment. The discipline this brings will yield productivity improvements, allow the business to scale-up more efficiently and facilitate local market assembly of the product range to grow export business outside Europe.

- Material cost savings of circa five percent per bus are projected in the second half of this year resulting from the collaboration on sourcing with Ashok-Leyland. In addition from Q4 the business will benefit from reducing establishment costs as the Group's operations simplify to the single production site at Sherburn.

- The Board is also pleased to announce that, through its partner in South Africa, Optare has received notification that it is the preferred bidder on a major export contract for approximately 200 buses for deliveries starting in early 2012. These will be provided in kit form and be assembled in the local market. Confirmation of the contract is expected shortly and will be notified to the market.

Board and management changes

- The Board has been further strengthened as previously announced by the appointment of Peter Phillips as CFO in June of this year. As will be confirmed in a following RNS, David Stonehouse has stepped down from the Board to progress other business interests and Jorma Halonen has been appointed as a Non-Executive Director. In addition further strengthening of the senior management team continues in support of the growth strategy.

Banking and Facility Agreement

- The Company has continued to actively reduce term debt which now stands at £1.3 million compared to £4.5 million twelve months previously and £7.5 million at the same point in 2009. Following the disposal of the first part of the Rotherham site in June 2011, Optare has received an indicative offer on the remainder of the site for a similar amount and anticipate completion of the sale during Q4 2011, the proceeds of which are expected to be applied to further reduce term debt.

- The Board has always been mindful of the requirement for increased banking facilities to a level commensurate with the Company's growing order book and export opportunities. Accordingly it has been in constructive discussions with the Company's current and other banks with a view to ensuring that the working capital facilities are appropriate for the Company's current and future operating requirements. These discussions are ongoing.

- In order to assist with the Company's growing operational and working capital requirements whilst the banking discussions continue, the Board is pleased to announce that it has entered into a facility agreement (the "Facility Agreement") with the parent company of one of its major shareholders, to provide Optare with up to £3.0 million working capital.

- The Company's current banking facility falls due for renewal on 30th September 2011. However, the Company has reached agreement to extend this facility whilst the Facility Agreement is in place until such time as the Board has completed negotiations on the Company's new banking facilities.

- The Facility Agreement is for a fixed term to 31st December 2011 unless varied by mutual agreement and carries interest at eight percentage points above base rate per annum.

- The Facility Agreement is classified as a related party transaction in accordance with the AIM Rules by virtue of it being with the parent company of one of Optare's substantial shareholders. Accordingly, the independent directors, having consulted with the Company's nominated adviser, consider the terms of the Facility Agreement to be fair and reasonable insofar as the Company's shareholders are concerned.

Outlook

- The third year of our turnaround strategy is about setting the business on a growth path following a period of restructuring, debt reduction and investment in the business. Progress is supported by a current strong order book going into the second half of 2011 and a high level of prospects for new business in UK and export markets to sustain continued growth.

- The Board also anticipates stronger UK demand, particularly for single-deck buses in 2012 and 2013, driven by an expected pre-buy of existing Euro 5 emission buses to avoid the additional cost burdens of Euro 6 legislation compliance due in 2013 and to comply with the Disability Discrimination legislation which is required for all single-decker buses by 2014. The increased capacity at our new site in Sherburn is timely and will enable us to be able to meet this anticipated extra production demand.

- In addition the company is making good progress in export markets and is qualifying to tender for substantial contracts with the support of Ashok-Leyland. Given the above, the Board continues to look to the future with confidence.

Consolidated income statement for the six month period ended 30th June 2011 (unaudited)

	Notes	Unaudited	Unaudited	Audited
		Six month period ended 30 June 2011 £000's	Six month period ended 30 June 2010 £000's	12 month period ended 31 December 2010 £000's
Revenue		22,749	27,094	52,271
Cost of Sales				
non exceptional		(20,268)	(24,166)	(47,826)
exceptional			(200)	(200)
total		(20,268)	(24,366)	(48,026)
Gross profit		2,481	2,728	4,245
%		10.9%	10.1%	8.1%
Administrative expenses		(5,381)	(4,894)	(8,205)
Amortisation of intangibles		(325)	(86)	(290)
Loss from operations		(3,225)	(2,252)	(4,250)
Restructuring and other exceptional costs		(896)	(310)	(1,963)
Finance income		154	-	93
Finance costs		(433)	(137)	(393)
Loss for the period from continuing operations		(4,400)	(2,699)	(6,513)
Loss on ordinary activities before taxation		(4,400)	(2,699)	(6,513)
Taxation		-	-	73
Profit attributable to the equity holders of the parent company		(4,400)	(2,699)	(6,440)
Earnings/(loss) per ordinary share				
From continuing operations after exceptional items (basic and diluted)		(0.7)p	(1.0)p	(2.1)p
From continuing operations before exceptional items (basic and diluted)		(0.6)p	(0.8)p	(1.4)p

There were no recognised gains or losses in the period other than the profit for the period and therefore no statement of recognised income and expenses is presented.

Consolidated balance sheet as at 30th June 2011 (unaudited)

	Unaudited	Unaudited	Audited
	As at 30 June 2011	As at 30 June 2010	As at 31 December 2010
	£000's	£000's	£000's
Non-current assets			
Goodwill	8,574	8,574	8,574
Other intangible assets	7,160	4,063	6,872
Property, plant equipment	2,524	3,179	2,312
	18,258	15,816	19,486
Current assets			
Inventories	10,549	6,086	7,742
Trade and other receivables	5,217	4,317	4,774
	15,766	10,403	12,516
Asset held for resale	1,004	2,400	2,000
Total assets	35,028	28,618	32,274
Current liabilities			
Trade and other payables	20,802	14,108	17,031
Bank loans and overdrafts	3,025	3,088	5,427
Current provisions	909	1,135	1,245
Obligations under finance leases	23	32	23
	24,759	18,363	23,726
Non current liabilities			
Bank loans	1,264	4,546	1,912
Deferred tax liabilities		-	-
Provisions	1,423	2,159	1,600
Obligations under finance leases	22	30	24
	2,709	6,735	3,536
Total liabilities	27,468	25,098	27,262
Net Assets	7,560	3,520	5,012
Equity			
Called up share capital	7,521	2,694	3,821
Share premium	29,967	24,300	26,759
Share based payment reserve	49	27	27
Merger reserve	5,542	5,542	5,542
Retained loss	(35,519)	(29,043)	(31,137)
Total equity attributable to equity holders of the parent	7,560	3,520	5,012

Consolidated statement of changes in equity for the six month period ended 30 June 2011 (unaudited)

	Share Capital £000's	Share Premium £000's	Merger Reserve £000's	Retained earnings £000's	Share based payment reserve £000's	Total £000's
Balance at 31st December 2010	3,821	26,759	5,542	(31,137)	27	5,012
Loss for the year				(4,400)		(4,400)
Total comprehensive income for the year				(35,537)		612
Transactions with owners in their capacity as owners:						
Issues of shares and warrants	3,700	3,208		18		6,927
Share based payments					22	22
Transactions with owners in their capacity as owners:	3,700	3,208	-	18	22	6,949
Balance at 30 June 2011	7,521	29,967	5,542	(35,519)	49	7,560

Consolidated Cash flow Statement for the six month period ended 30th June 2011 (unaudited)

	Unaudited Six month period ended 30 June 2011 £000's	Unaudited Six month period ended 30 June 2010 £000's	Audited 12 month period ended 31 December 2010 £000's
Operating activities			
Loss before tax	(4,400)	(2,699)	(6,513)
Tax			73
Depreciation and amortisation	689	632	1,518
Share based payments	-	-	
Net finance expense	279	137	300
Loss on disposal of fixed assets	(20)	-	12
Operating cash flows before movements in working capital	(3,452)	(1,929)	(4,610)
Movement in inventories	(2,807)	1,089	37
Movement in trade and other receivables	(443)	139	(319)
Movement in trade and other payables	3,771	(90)	2,833
Movement in provisions	(515)	(928)	(1,359)
Cash absorbed by operations	(3,447)	(1,719)	(3,418)
Interest received	154	-	93
Interest paid	(433)	(137)	(393)
Net cash flow from operating activities	(3,726)	(1,857)	(3,718)
Investing activities			
Purchase of property, plant and equipment	(575)	(45)	(75)
Purchased intangible assets	(614)	(197)	(3,209)
Proceeds of property sale	1,016		
Net cash flow from investing activities	(173)	(241)	(3,284)
Financing activities			
Loan repayments	(3,236)	(741)	(2,183)
Proceeds from issuance of ordinary shares	6,949	2,051	7,284
Net cash flow from financing activities	3,713	1,310	5,101
Net decrease in cash and cash equivalents	(186)	(788)	(1,901)
Cash and cash equivalents at the beginning of the period	(2,720)	(819)	(819)
Cash and cash equivalents at the end of the period	(2,906)	(1,607)	(2,720)

Notes to the half yearly financial information for the six month period ended 30 June 2011

1. Basis of preparation

The unaudited consolidated half-yearly financial information for the half year ended 30 June 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union

The interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted in the EU. The current and comparative periods to June have been prepared using the accounting policies adopted in the annual financial statements for the period ended 31 December 2010 and those which are expected to be adopted in the 31 December 2011 financial statements.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. This report has not been audited by the Group's auditors

Comparative figures for the period ended 31 December 2010 have been extracted from the statutory financial statements for that period which carried an unqualified audit report, did not contain a statement under section 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies.

The interim report was approved by the Group's Board of Directors on 26 September 2011.

2 Principal risks and uncertainties for the six months ending 30 June 2011

As for most businesses, there are a range of risks and uncertainties facing the Group. The principal risks and uncertainties are described in the Group's 2010 Annual Report and Accounts which can be downloaded from the Group's website (www.optare.com). In particular in 2011 there are a number of risks with the construction and opening of the new Sherburn plant, for which management has developed appropriate mitigation strategies. In assessing the Group's likely financial performance for the second half of current financial year, these risks and uncertainties should be considered. Seasonality is not believed to be a major factor for the Group.

3 Loss per ordinary share

The calculation of earnings per ordinary share is based on the profit or loss for the period divided by the weighted average number of equity voting shares in issue. There were no potentially dilutive ordinary shares in existence during the period and so basic and diluted earnings per share are identical.

	Unaudited	Unaudited	Audited
	Six month period ended 30 June 2011 £000's	Six month period ended 30 June 2010 £000's	12 month period ended 31 December 2010 £000's
Loss for period for the purpose of basic earnings per share (£'000)	(4,400)	(2,699)	(6,440)
Weighted Average number of shares ('000)	617,033	264,111	307,965
Basic and diluted loss per ordinary share (pence per share)	(0.7)p	(1.0)p	(2.1)p
Retained Loss for the period before exceptional costs (£'000)	(3,505)	(2,189)	(4,277)
Weighted Average number of shares ('000)	617,033	264,111	307,965
Basic and diluted loss before exceptional items per ordinary share (pence per share)	(0.6)p	(0.8)p	(1.4)p