Optare plc

(the "Company". "Group" or "Optare")

Interim Results for the six months ended 30 September 2013

Optare is pleased to announce its results for the six months ended 30 September 2013.

Key highlights:

- New export distributor appointed in Australia via Ashok Leyland's international network to take advantage of increased market demand;

- Offer received from regional growth fund of £1.5m linked to developing new products for the export market;

- Completion of design stage of the new Double Decker product to be launched into the market in 2014, which will increase the Company's product offering in the UK Market; and

- Continued leadership in low carbon products through investments, recognised recently by winning the National Transport Award 2013 for the Versa Electric Bus that incorporated fast charging technology.

Financial highlights:

- EBITDA losses reduced by 33% to (£0.8m) compared to (H1: 2012 loss of £1.2m);

- Gross margins increased to 10.3% (H1: 2012 5.4%), this was primarily driven by a stronger product mix and continued focus on material cost savings;

- Successful restructuring of Company's debt to provide total bank facilities of £23 m, providing additional funding to support the business through to its goal of delivering profitability;

- Administration costs reduced by 10% as overall headcount reduced from 443 to 396 at the end of September 2013. Further cost reduction programmes are in place to deliver over £1.0m of fixed costs savings in the full year of 2013/14; and

- Loss per share reduced from 0.15p to 0.08p.

Commenting on the interim results, John Fickling, Optare's Chairman: "I am pleased with the progress we have made to improve efficiency and reduce fixed costs. We continue to invest in people, innovation and new product opportunities for the UK and export markets we look to the future of the Company with increased confidence.

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Stephen Keys/Camilla Hume

BUSINESS AND FINANCIAL REVIEW

- Turnover for the 6 months ended 30 September 2013 was £32.4m (H1 2012: £46.7m) primarily due to completion of kit exports in 2012. Lower demand in April and May of 2013 impacted the first half results;

- There are no exceptional costs for the first half of 2013 (H1 2012: £1.1m);

- The Board has continued to invest in the long-term future of the business with capital expenditure in the 6 months to 30 September 2013 of £0.9m (H1 2012: £1.0m). The expenditure was principally on product development;

- Optare's banking arrangements were renegotiated by Barclays with a total bank facility of £23m now available. This includes additional facilities of £7m which has been put in place to meet the Company's liabilities as they fall due and investment in new products; and

- Loss per share reduced from 0.15p to 0.08p.

Current trading and prospects

- The order book as at 30September 2013 was £22.5m (30 September 2012: 19.4m). The market continues to move from Optare's strong provincial customer base to larger operating groups. We are continuing to focus on both types of customer segments to increase volumes in our traditional single deck UK market.

- Optare is now building its Euro6 vehicles for delivery in Q4 FY 14 (January to March 2014).

- The Company remains on plan to introduce its Double Decker product in Q1 of calendar 2014, the launch of which the Directors believe will enable Optare to participate in all UK product segments from Q1 2014 onwards.

- Optare has been successful in winning initial orders in Australia for the whole single deck product range. Further sizeable orders are expected in 2014 through our dealers in Australia. We are excited about the growth prospects and market demand in this part of the world for Optare's products.

- Optare continues to be the leader in low emission technology and have substantial lead on the competition. With increasing focus on life cycle costs, Optare continues to invest in improving fuel efficiency of its product range.

Board and management changes

- As previously announced, Enrico Vasalla has been appointed as the CEO of Optare replacing Per Gustav Nilsson who was the interim CEO since Jan 2013. Enrico has gained substantial experience in the bus industry over the last fifteen years in senior positions across Africa, Australasia and latterly South America and we are pleased to have him on board. He brings with him a wealth of international sales experience in the bus industry gained in several of the key markets that the Company is targeting as part of the strategic aim of developing a stronger export market.

Outlook

- The Board still anticipates an increase in UK demand in 2014, particularly for single deck buses as the larger operating Groups invest in new vehicles. Additionally, an increasing proportion of future sales are expected to come from export markets which will help to de-risk the Group's current dependency on a cyclical UK market.

John Fickling

Non- executive Chairman

Date

Consolidated income statement for the six months ended 30th September 2013 (unaudited)

	Unaudited 6 month period ended 30 September 2013 £000's	Unaudited 6 month period ended 30 September 2012 £000's	Audited 12 month period ended 31 March 2013 £000's
Revenue	32,413	46,692	75,938
Cost of Sales			
non exceptional	(29,083)	(43,390)	(70,695)
exceptional	-	(774)	(1,483)
total	(29,083)	(44,164)	(72,178)
Gross profit	3,330	2,528	3,760
%	10.3%	5.4%	5.0%
Administrative expenses	(4,410)	(4,765)	(9,351)
Amortisation of intangibles	(278)	(334)	(643)
Loss from operations	(1,358)	(2,571)	(6,234)
Restructuring and other exceptional costs	-	(314)	(328)
Finance income	-	-	-
Finance costs	(458)	(416)	(788)
Loss for the period from continuing operations	(1,816)	(3,301)	(7,350)
Loss on ordinary activities before taxation	(1,816)	(3,301)	(7,350)
Taxation	-	-	-
Profit attributable to the equity holders of the parent company	(1,816)	(3,301)	(7,350)
Earnings/(loss) per ordinary share			
From continuing operations after exceptional items (basic and diluted)	(0.08)p	(0.15)p	(0.30)p
From continuing operations before exceptional items (basic and diluted)	(0.08)p	(0.10)p	(0.20)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 September 2013 (unaudited)

	Unaudited 6 month period ended 30 September 2013 £000's	**Unaudited** 6 month period ended 30 September 2012 £000's	**Audited** 12 month period ended 31 March 2013 £000's
Non-current assets			
Goodwill	8,574	8,574	8,574
Other intangible assets	8,426	8,289	8,271
Property, plant equipment	3,484	3,258	3,356
	20,484	20,121	20,201
Current assets			
Inventories	6,046	6,408	10,338
Trade and other receivables	9,383	5,701	7,720
Cash & Cash Equivalents	-	1,745	-
	15,429	13,854	20,005
Total assets	35,913	33,975	38,259
Current liabilities			
Trade and other payables	13,610	16,228	20,466
Bank loans and overdrafts	9,344	15,708	18,652
Current provisions	2,567	1,400	2,217
Obligations under finance leases	69	55	79
	25,590	33,391	41,414
Non-current liabilities			
Bank loans	15,000	-	-
Provisions	1,727	1,062	1,394
Obligations under finance leases	150	211	189
	16,877	1,273	1,583
Total liabilities	42,467	34,664	42,997
Net Assets	(6,554)	(689)	(4,738)
Equity			
Called up share capital	9,005	9,005	9,005
Share premium	32,396	29,965	32,396
Share based payment reserve	42	198	42
Merger reserve	5,542	5,542	5,542
Retained loss	(53,539)	(45,399)	(51,723)
Total equity attributable to equity holders of the parent	(6,554)	(689)	(4,738)

Consolidated Cash flow Statement for the six month period ended 30th September 2013 (unaudited)

	Unaudited 6 month period ended 30 September 2013	Unaudited 6 month period ended 30 September 2012	Audited 12 month period ended 31 March 2013
	£000's	£000's	£000's
Operating activities			
Loss before tax	(1,816)	(3,301)	(7,350)
Tax			
Depreciation and amortisation	568	613	1,194
Share based payments	-	-	-
Net finance expense	458	416	788
Loss on disposal of fixed assets	-	20	19
Operating cash flows before movements in working capital	(790)	(2,252)	(5,349)
Movement in inventories	4,292	4,867	937
Movement in trade and other receivables	(1,663)	2,442	423
Movement in trade and other payables	(6,856)	(3,941)	297
Movement in provisions	685	6	1,155
Cash absorbed by operations	(4,332)	1,122	(2,537)
Interest received			-
Interest paid	(458)	(416)	(788)
Net cash flow from operating activities	(4,790)	706	(3,325)
Investing activities			
Purchase of property, plant and equipment	(418)	(478)	(800)
Internal capitalised costs	(433)	(542)	(882)
Proceeds of property sale	-	1,000	1,000
Net cash flow from investing activities	(851)	(20)	(682)
Financing activities			
Loan repayments	7,000	-	-
Proceeds from issuance of ordinary shares	-	-	-
Short term loans	202	(617)	2,023
Hire purchase agreement repayments	(15)	(28)	(60)
Net cash flow from financing activities	7,187	(645)	1,963
Net increase/(decrease) in cash and cash equivalents	1,546	41	(2,044)
Cash and cash equivalents at the beginning of the period	(5,445)	(3,401)	(3,401)

Cash and cash equivalents at the end of the period	(3,899)	(3,360)	(5,445)

Consolidated statement of changes in equity for the six month period ended 30 September 2013 (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 March 2013	9,005	32,396	5,542	(51,723)	42	(4,738)
Loss for the period				(1,816)		(1,816)
Total comprehensive income for the year	9,005	32,396	5,542	(53,539)	42	(6,554)
Balance at 30 September 2013	9,005	32,396	5,542	(53,539)	42	(6,554)

Notes to the half yearly financial information for the six month period ended 30 September 2013

1. Basis of preparation

The unaudited consolidated half-yearly financial information for the half year ended 30 September 2013 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 September have been prepared using the accounting policies adopted in the annual financial statements for the period ended 31 March.

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 March 2013 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 18 December 2013.

2 Principal risks and uncertainties for the six months ending 30 September 2013

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 2013 Annual Report and Accounts which can be downloaded from the Group's website (www.optare.com)

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 September 2013	Six month period ended 30 September 2012	12 month period ended 31 March 2013
	£000's	£000's	£000's
Loss for purposes of basis loss per share	(1,816)	(3,301)	(7,350)
(net loss for the period attributable to equity holders of the parent)			
	Number	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,235,291,827	2,235,291,827	2,235,291,827
Basic and fully diluted loss per share	(0.08)p	(0.15)p	(0.30)p
Excluding Exceptional items			
Loss for purposes of basis loss per share	(1,816)	(3,301)	(7,350)
(net loss for the period attributable to equity holders of the parent)			
Adjustment to exclude exceptional costs	-	1,108	1,811
Loss from continuing operations for the purposes of basic earnings per share	(1,816)	(2,193)	(5,539)
Basic and fully diluted loss per share	(0.08)p	(0.10)p	(0.20)p