

THIS DOCUMENT AND THE ENCLOSED FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or transferred all of your shares in Optare plc, please send this document and the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Directors, whose names appear on page 3 of this document, and the Company accept responsibility, collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange for the Placing Shares, the Share Warrant Shares and the New Shares to be admitted to trading on AIM. It is expected that First Admission will become effective and that dealings in the Placing Shares and the Share Warrant Shares will commence on 30 July 2010 and Second Admission will become effective and that dealings in the New Shares will commence on 17 August 2010. The Placing Shares, the Share Warrant Shares and the New Shares will, on First Admission and Second Admission, respectively, rank *pari passu* in all respects with and will rank in full for all dividends and other distributions declared, made or paid in respect of, the Existing Ordinary Shares after First Admission and Second Admission respectively.

OPTARE plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with company number 06481690)

Issue of 99,357,828 Ordinary Shares of 1p each to Ashok Leyland Limited at a price of 5 pence per share and Announcement of Strategic Co-operation Agreement, Subscription Agreement and Relationship Agreement

and

Issue of 25,650,712 Share Warrants, 2,683,869 Cenkos Share Warrants and 10,745,934 Ashok Share Warrants

and

Placing of up to 2,000,000 Placing Shares and issue of 11,360,000 Share Warrant Shares of 1p each at a price of 5 pence per share

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 9 to 15 of this document and which recommends you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Cenkos Securities plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser, broker and financial adviser to the Company in connection with the matters described in this document. Persons receiving this document should note that Cenkos Securities plc will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cenkos Securities plc or for advising any other person on the arrangements described in this document. Cenkos Securities plc has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Cenkos Securities plc for the accuracy of any information or opinions contained in this document or for the omission of any information. Cenkos Securities plc as nominated adviser and broker to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors.

The Placing Shares, the Share Warrant Shares and the New Shares will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States of America or qualify for distribution under any of the relevant securities laws of Canada, Australia or Japan, nor has any prospectus in relation to the Placing Shares, the Share Warrant Shares or the New Shares been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exceptions, the Placing Shares, the Share Warrant Shares and the New Shares may not be, directly or

indirectly, offered, sold, taken up, delivered or transferred in or into the United States of America, Canada, Australia or Japan. Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action. This document does not constitute an offer, or its solicitation, to subscribe for or buy any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Notice of a General Meeting of Optare plc, to be held at the offices of Optare Group Ltd, Manston Lane, Crossgates, Leeds, West Yorkshire LS15 8SU at 12 noon on 16 August 2010, is set out at the end of this document. To be valid the accompanying Form of Proxy for use in connection with the meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12 noon on 12 August 2010 or two working days before any adjourned meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of the Company at Lower Philips Road, Whitebirk Industrial Estate, Blackburn, Lancashire BB1 5UD for a period of one month from the date of this document.

DIRECTORS AND ADVISERS

Directors	John Fickling Jim Sumner Mike Dunn Glenn Saint David Stonehouse David Maughan	<i>(Non-Executive Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Chief Financial Officer)</i> <i>(Commercial Director)</i> <i>(Non-executive Director)</i> <i>(Non-executive Director)</i>
Company Secretary	Mike Dunn c/o Lower Philips Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5UD	
Registered Office	Lower Philips Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5UD	
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8. Tokenhouse Yard London EC2R 7AS	
Solicitors to the Company	Ward Hadaway Sandgate House 102 Quayside Newcastle upon Tyne NE1 3DX	
Solicitors to the Nominated Adviser and Broker	Lawrence Graham LLP 4 More London Riverside London SE1 2AU	
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA	

PLACING STATISTICS

Issue Price	5 pence
Number of Existing Ordinary Shares	269,427,665
Number of Placing Shares	2,000,000
Number of New Shares	99,357,828
Number of Share Warrant Shares	11,360,000
Proceeds of the issue of the Placing Shares	£100,000
Proceeds of the issue of the New Shares	£4,967,891
Proceeds of the issue of the Share Warrant Shares	£568,000
Entire proceeds receivable by the Company, net of expenses	approximately £5,200,000
Number of Ordinary Shares in issue following Admission of the Placing Shares, the New Shares and the Share Warrant Shares	382,145,493
Placing Shares as a percentage of the Enlarged Ordinary Share Capital	0.52%
New Shares as a percentage of the Enlarged Ordinary Share Capital	26.00%
Share Warrant Shares as a percentage of the Enlarged Ordinary Share Capital	2.97%

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

This document posted to Shareholders (by first class post)	29 July 2010
Admission and dealings in the Placing Shares and the Share Warrant Shares expected to commence on AIM	8 a.m. on 30 July 2010
CREST accounts credited in respect of the Placing Shares and the Share Warrant Shares	by 30 July 2010
Share Certificates despatched in respect of the Placing Shares and the Share Warrant Shares	by 6 August 2010
Issue of Share Warrants	by 12 August 2010
Latest time and date for receipt of Form of Proxy	12 noon on 12 August 2010
General Meeting	12 noon on 16 August 2010

Admission and dealings in the New Shares expected to commence on AIM	8 a.m. on 17 August 2010
Issue of Cenkos Share Warrant and Ashok Share Warrant	by 18 August 2010
Share Certificate despatched or CREST account credited in respect of the New Shares	by 24 August 2010

If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through the Regulatory Information Service. All events listed in the above timetable following the General Meeting are conditional on the passing of the Resolutions contained in the Notice of General Meeting at the General Meeting.

DEFINITIONS

The following definitions apply throughout the document, unless the context requires otherwise:

"Act"	the Companies Act 2006 (as amended);
"AIM"	AIM, a market operated by the London Stock Exchange plc;
"AIM Rules"	the AIM rules for companies published by the London Stock Exchange plc from time to time;
"Ashok" or "Ashok Leyland"	Ashok Leyland Limited, a company incorporated in India, whose registered office is at 1, Sadar Patel Road, Chennai 600032, India;
"Ashok Share Issue"	the issue of the New Shares at the Issue Price to Ashok conditional on Second Admission;
"Ashok Share Warrants"	the share warrants to be issued to Ashok pursuant to which it can, on the exercise of any Share Warrants and/or Cenkos Share Warrants and/or Share Options, subscribe for such number of new Ordinary Shares which, when combined with the Ashok Shares, represents 26 per cent. of the Revised Enlarged Ordinary Share Capital at the Issue Price if in consequence of the exercise of any Share Warrants or Cenkos Share Warrants or, at the relevant exercise price, if in consequence of the exercise of any Share Options. The maximum number of new Ordinary Shares which Ashok can subscribe for, assuming full exercise of all the Share Warrants, the Cenkos Share Warrants and of the Share Options is 10,745,934 new Ordinary Shares;
"Board" or "Directors"	the directors of the Company whose names are set out on page 3 of this document;
"Cenkos Securities"	Cenkos Securities plc;
"Cenkos Share Warrants"	the 2,683,869 share warrants to be issued by the Company to Cenkos Securities entitling Cenkos Securities to subscribe for an aggregate of 2,683,869 new Ordinary Shares at the Issue Price on the basis of one new Ordinary Share for each share warrant;
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001 SI 2001:No.3755 (as amended)) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in those regulations);
"Company" or "Optare"	Optare plc;
"Enlarged Ordinary Share Capital"	the entire issued ordinary share capital of the Company immediately following Second Admission comprising the Existing Ordinary Shares, the Placing Shares, the New Shares and the Share Warrant Shares;

"Existing Ordinary Shares"	the Ordinary Shares in issue as at the date of this document;
"First Admission"	admission of the Placing Shares and the Share Warrant Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
"Form of Proxy"	the Form of Proxy for use at the General Meeting, which accompanies this document;
"General Meeting"	the general meeting of the Company to be held at the offices of Optare Group Ltd at Manston Lane, Crossgates, Leeds, West Yorkshire LS15 8SU at 12 noon on 16 August 2010;
"Group" or "Optare Group"	the Company and its subsidiaries;
"Hinduja Group"	an international business conglomerate with presence in multiple business sectors;
"Issue Price"	5p per Ordinary Share;
"January Placing"	the placing of Ordinary Shares with Shareholders as announced on 22 January 2010;
"New Shares" or "Ashok Shares"	the 99,357,828 Ordinary Shares which are to be issued to Ashok pursuant to the Ashok Share Issue and which will represent approximately 26 per cent. of the issued share capital of the Company on issue;
"Notice of General Meeting"	the notice convening the General Meeting, which is set out at the end of this document;
"Ordinary Shares"	ordinary shares of 1p each in the capital of the Company
"Placing"	the placing by Cenkos of the Placing Shares on behalf of the Company at the Issue Price pursuant to and on the terms of the Placing Agreement;
"Placing Agreement"	the conditional agreement dated 29 July 2010 between the Company and Cenkos Securities for the placing of the Placing Shares at the Issue Price;
"Placing Shares"	2,000,000 new Ordinary Shares to be issued pursuant to the Placing;
"Proposals"	the proposals outlined in this document, comprising the Placing, Share Warrant Share Issue, the Ashok Share Issue and the strategic alliance with Ashok;
"Relationship Agreement"	the conditional agreement dated 29 July 2010 between Ashok and the Company governing certain aspects of the ongoing relationship between Ashok and the Company;
"Resolutions"	the resolutions set out in the Notice of General Meeting which is set out at the end of this document

"Revised Enlarged Ordinary Share Capital"	the Enlarged Ordinary Share Capital and new Ordinary Shares issued on the exercise of Share Options and/or Share Warrants and/or Cenkos Share Warrants;
"Second Admission"	admission of the New Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
"Shareholders"	(a) person(s) who is/are registered as holder(s) of Ordinary Shares from time to time;
"Share Options"	the options to subscribe for in aggregate 2,250,000 Ordinary Shares granted under the Optare Plc Unapproved Share Option Plan;
"Share Warrants"	the 25,650,712 share warrants to be issued by the Company to institutional and other investors entitling the holders thereof to subscribe for an aggregate of 25,650,712 new Ordinary Shares at the Issue Price on the basis of one new Ordinary Share for each share warrant representing, assuming full exercise of all such share warrants, approximately 6.7 per cent. of the issued share capital at Second Admission;
"Share Warrant Shares"	11,360,000 new Ordinary Shares to be issued to certain Shareholders who participated in the January Placing and who have undertaken to subscribe for new Ordinary Shares in lieu of a proportion of their entitlement to Share Warrants;
"Share Warrant Share Issue"	the issue by the Company of the Share Warrant Shares;
"Strategic Co-operation Agreement"	the conditional agreement dated 29 July 2010 between Ashok and the Company in relation to the joint development of the Company's business and products, the marketing of its products in new and existing markets and the transfer of intellectual property rights and knowhow in bus designs between the parties, further details of which are set out in the letter from the Chairman of the Company included within this document;
"Subscription Agreement"	the conditional agreement dated 29 July 2010 in which Ashok agrees to subscribe for the New Shares at the Issue Price conditional on the Strategic Co-operation Agreement and the Relationship Agreement having been entered into, the Resolutions being duly passed and Second Admission.

Optare plc

(Registered and incorporated in England and Wales under the Companies Act 1985 with company number 06481690)

Directors:

John Fickling (Non-Executive Chairman)
Jim Sumner (Chief Executive Officer)
Mike Dunn (Chief Financial Officer)
Glenn Saint (Commercial Director)
David Stonehouse (Non-executive Director)
David Maughan (Non-executive Director)

Registered Office:

Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

To Shareholders and, for information only, to the holders of options over Ordinary Shares

29 July 2010

Dear Shareholder,

Issue of 99,357,828 Ordinary Shares of 1p each to Ashok Leyland Limited at a price of 5p per share, Announcement of Strategic Co-operation Agreement, issue of Share Warrants, Cenkos Share Warrants and Ashok Share Warrants, issue of Placing Shares and Share Warrant Shares at a price of 5p per share and Notice of General Meeting

Introduction

The Board is pleased to announce that the Company proposes to raise £4.97 million, before expenses, by way of the issue of 99,357,828 new Ordinary Shares to Ashok Leyland and has raised an additional £100,000 from the conditional placing of 2,000,000 new Ordinary Shares with an institutional investor. In addition, the Company proposes to raise £568,000 through the issue of the Share Warrant Shares to certain institutional and other investors.

Following its subscription for 99,357,828 new Ordinary Shares, Ashok will hold 26 per cent. of the Company's Enlarged Ordinary Share Capital. The key features of the fundraising are the investment by Ashok and its endorsement of the Company's strategy.

In order for the Proposals to be effected, the Directors, require, inter alia, the authority of Shareholders to allot the Ashok Shares and the Ashok Share Warrants free from statutory pre-emption rights. Accordingly, the Company is convening the General Meeting, at which it will seek authority, inter alia, for the Directors to allot the Ashok Shares, issue the Ashok Share Warrants and disapply statutory pre-emption rights in respect of the Ashok Shares and the Ashok Share Warrants. The previous authorities taken at the Annual General Meeting on 30 June 2010 will be discontinued and will not be replaced at the General Meeting.

The purpose of this document is to provide you with information about the background to and the reasons for the Proposals, to explain why the Board considers each of the Proposals to be in the best interests of the Company and its Shareholders as a whole and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the General Meeting.

Background to and reasons for the Proposals

As noted in the Company's results for the year ended 31 December 2009 the Company has made significant progress in relation to the business turnaround actions, including the reduction of the Company's break-even point. This has been achieved through the rationalisation of operations and by improving efficiencies, including reducing head count by 48 per cent. In the year ended 31 December 2009, as well as consolidating from three operating sites to two, the Board has been concentrating on reducing costs.

At the same time, the Board has also continued actively to reduce net debt, from £10.3 million in June 2009 to £7.7 million by December 2009. Further capital repayments have continued in 2010 and the Board remains focused on debt reduction. An offer has now been accepted for the sale of the Rotherham site, the proceeds of which are expected to be applied to further reduce net debt.

Although the Board was pleased to report in its year end results that the order book was at a 12 month high, this has placed pressure on the working capital of the Group and at times will place the Company up against creditor limits. The Board is continually mindful of the pressures on working capital at certain points in the Company's cycle and is continually looking for ways to alleviate this pressure.

The Company's order book is again at a 12 month high, standing at £27.5 million as at 8 July 2010. Accordingly, at this time the Board considers that it is necessary to raise further working capital in order to finance the Company's ongoing operations. In view of the current credit climate, the Board believes that the best means of securing additional funds is by way of an equity fundraising and through certain Shareholders subscribing for the Share Warrant Shares in lieu of their entitlement to share warrants. The Directors believe that this represents a cost effective way to provide the Company with its short term working capital needs.

On 17 December 2009 the Board announced that it was in discussions with a potential strategic partner and believes that entering into such a partnership will enable the Group to achieve its aim of becoming a leader in green bus technologies and a significant exporter of conventional diesel and low carbon buses.

The Board believes that a strategic alliance with Ashok will not only enable the Group to achieve these aims but is also attractive for the following reasons, as it will:

- *provide ready access to a low cost supply chain* - the Directors expect to benefit from being able to leverage on Ashok's well-established global sourcing channels;
- *enable the Company to increase export sales* - the Directors believe that with Ashok's assistance in improving the competitiveness of the Company's products, the Company will be able to increase export sales progressively in the 22 countries in which it is entitled to operate;
- *improve competitiveness of products* - the Company will be able to access the engineering resources, design, development, testing and evaluation expertise of Ashok to enable the Group to help optimise Optare's current and future vehicle range and increase the competitiveness of these vehicles in UK and export markets; and
- *strengthen the Company's working capital and cash flow position* - the Directors believe that support from Ashok and the larger Hinduja Group will allow more competitive options in accessing funding needs as required.

Part of the net proceeds of the Ashok Share Issue will be applied to pay down £2 million of the Group's existing term debt to further reduce gearing and the Company's dependency on the bank. The remainder of the proceeds will be used to support growth plans through product development and new business opportunities and to further strengthen the working capital and cash flow position of the Company.

The Board considers that the Ashok Share Issue is in the best interests of the Company and

Shareholders as a whole and will allow the Company to benefit not only from Ashok's capital resources but also from its considerable strategic and operational experience in the bus and truck industry.

Following the announcement of the proposed strategic alliance, Ashok has confirmed that it is no longer considering an offer for the Company and accordingly, the Company has ceased to be in an "offer period" for the purposes of the City Code on Takeovers and Mergers.

Information on Ashok

Ashok is an Indian commercial vehicle manufacturing company based in Chennai selling approximately 64,000 vehicles and about 19,000 engines annually and is the second largest commercial vehicle company in India in the medium and heavy commercial vehicle segment, with a market share of 23.3 per cent. in 2009–10 and is a market leader in the Indian bus market. Ashok reports that it now carries 60 million bus passengers a day, more than the entire Indian rail network, and already has a joint venture with Nissan Motor Company, developing a light commercial vehicle product platform.

The sales turnover of Ashok in 2009-10 was US \$1.6 billion and PAT was US \$94 million.

Ashok has seven plants in India, one in the Czech Republic and one in the Middle East with a current global capacity of over 150,000 buses and trucks.

In 2006 Ashok became the first automobile company in India to achieve the internationally renowned TS16949 certification.

The directors of Optare believe that Ashok's two strategic business units in India and Detroit, USA, underpin its substantial global reach in technology-enabled end-to-end bus design, engineering, prototyping, manufacturing and testing and validation.

Ashok, listed on the Bombay Stock Exchange, is 51 per cent. owned by the Hinduja Group and has a current market capitalisation of approximately £1.3 billion.

Current Trading and Prospects of Optare

Although market conditions remain uncertain, as noted above, Optare's sales order levels are now at a 12 month high at £27.5 million as at 8 July 2010. The Board also anticipates stronger UK demand, particularly for single-decker buses, in 2011 and 2012 due to the anticipated pre-buy of existing Euro 5 emission buses to avoid the additional cost burdens of Euro 6 legislation compliance due in 2013, along with compliance with the disability discrimination legislation, which is required for all single-decker buses by 2014. In addition, it is anticipated that there will be a recovery of the replacement cycle for buses as the UK economy climbs out of recession.

The Company is also confident that its investment in green bus technology is well-timed as the trend towards low carbon technology gathers momentum.

The Board believes that significant progress has been achieved in the turnaround of the business with the complementary strategies of reducing the business break-even point and debt along with investing in green bus technology and that this will be better assisted by entering into the strategic alliance with Ashok.

The Placing, Share Warrant Share Issue and Ashok Share Issue

The Company is proposing to raise approximately £4.97 million by way of the conditional issue to Ashok of the New Shares, £100,000 by way of the conditional placing with an institutional investor of the Placing Shares and £568,000 by way of the issue of the Share Warrant Shares to certain investors.

The aggregate amount which will be received by the Company, net of expenses, is approximately £5.2 million.

The Company agreed in January 2010 to issue share warrants to each of those Shareholders who

subscribed for Ordinary Shares in the January Placing and the Company now proposes to issue the Share Warrants to honour this commitment.

One of those Shareholders has agreed to subscribe for Share Warrant Shares in full satisfaction of its entitlement to receive share warrants. As such it will not be issued with any further share warrants.

Two other Shareholders have agreed to subscribe for Share Warrant Shares in part satisfaction of their share warrant entitlement and shall receive the balance of their entitlement by way of Share Warrants.

The Directors will seek authority to allot and disapply statutory pre-emption rights in respect of the Ashok Shares and the Ashok Share Warrants at the General Meeting. The Placing Shares and Share Warrant Shares will be allotted prior to the General Meeting on the basis of the authorisation granted by Shareholders at the recent Annual General Meeting and First Admission is expected to take place on 30 July 2010.

The Ashok Shares will represent 26 per cent. of the Enlarged Ordinary Share Capital. As Share Warrants, Cenkos Share Warrants and Share Options are exercised in the future, Ashok will, pursuant to the Ashok Share Warrants, have the right to subscribe for further new Ordinary Shares by exercising the Ashok Share Warrants so that it is able to maintain its percentage of the Revised Enlarged Ordinary Share Capital at 26 per cent.

The Placing Agreement, the Subscription Agreement and Ashok Share Warrants, the Strategic Co-operation Agreement and the Relationship Agreement

The Placing Agreement

Cenkos Securities has entered into the Placing Agreement with the Company whereby it has agreed to use its reasonable endeavours, as agent for the Company, to procure a placee for 2,000,000 Placing Shares.

The placing of the Placing Shares is conditional upon, *inter alia*, First Admission on or before 8.00am on 30 July 2010 (or such later time and/or date as the Company and Cenkos Securities may agree, but in any event by no later than 8.00am on 13 August 2010).

The Placing Agreement contains warranties from the Company in favour of Cenkos Securities in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Company and its business. In addition, the Company has agreed to indemnify Cenkos Securities in relation to certain liabilities it may incur in respect of the Placing. Cenkos Securities has the right to terminate the Placing Agreement in certain circumstances prior to First Admission, in particular, in the event of a material breach of the warranties.

The Subscription Agreement and Ashok Share Warrants

Ashok has entered into the Subscription Agreement with the Company, whereby Ashok agrees to subscribe for the New Shares at the Issue Price. Ashok's obligation to subscribe for the New Shares is conditional upon the Resolutions being duly passed, Second Admission and the Strategic Co-operation Agreement and the Relationship Agreement having been entered into.

Under the terms of the Subscription Agreement the Company will issue to Ashok the Ashok Share Warrants immediately following Second Admission, which will entitle Ashok to subscribe for such number of new Ordinary Shares as will entitle Ashok to maintain its shareholding at 26 per cent. of the Revised Enlarged Ordinary Share Capital so that its shareholding in the Company is not diluted as the Share Warrants, the Cenkos Share Warrants and the Share Options are exercised in the future. If the Ashok Share Warrants are exercised in consequence of the exercise of the Share Warrants or the Cenkos Share Warrants, Ashok will subscribe for the relevant number of new Ordinary Shares at the Issue Price. If the Ashok Share Warrants are exercised in consequence of the exercise of the Share Options, Ashok will subscribe for the relevant number of new Ordinary Shares at the exercise price applicable to the exercise of the Share Options.

The Ashok Share Warrants will cease to be exercisable 40 Business Days after the date on which

the Share Warrants, the Cenkos Share Warrants and the Share Options cease to be exercisable, being, in the case of the Share Warrants and Cenkos Share Warrants, twenty four months after issue and in the case of the Share Options 3 July 2019. The Ashok Share Warrants are transferable within the Ashok group of companies.

The terms of the Ashok Share Warrants provide that new Ordinary Shares will be allotted no later than seven days after exercise and that application will be made for admission of such new Ordinary Shares to AIM no later than five business days after the issue of such new Ordinary Shares.

The issue of the Ashok Share Warrants is conditional on the Resolutions being duly passed and on Second Admission.

The Subscription Agreement contains warranties from the Company in favour of Ashok relating, inter alia, to the accuracy of information disclosed to Ashok.

The Strategic Co-operation Agreement

Ashok has entered into a Strategic Co-operation Agreement with the Company whereby Ashok and the Company will collaborate to develop, modify and exploit the Company's bus designs in their respective markets.

Under the Strategic Co-operation Agreement the Company retains the exclusive right to manufacture and sell its bus designs in 22 (mainly European) countries ("the Company's Markets"). Ashok agrees to assist the Company to improve the competitiveness of its products in these markets by giving the Company access to low cost sourcing information and by carrying out contract manufacturing (if required). Ashok and the Company will also undertake a joint assessment of the Company's bus designs to establish what modifications are required to improve their marketability and competitiveness in the Company's Markets and Ashok has agreed to provide technical assistance in making any modifications required, at cost. All intellectual property in any such modifications made for the Company's Markets shall belong to the Company.

The Company has agreed to grant to Ashok the perpetual and exclusive right to manufacture, modify and sell the Company's bus designs in markets other than the Company's Markets ("Ashok Markets"). The Company will provide Ashok with ongoing knowhow, technical information and technical assistance to enable Ashok to exploit those rights in Ashok's Markets. The Co-operation Agreement contains certain warranties in favour Ashok regarding, *inter alia*, the technical information the Company will provide and requires the Company to indemnify Ashok in respect of product liability claims arising from defects in the technical information and designs it supplies.

Under the Strategic Co-operation Agreement, Ashok and the Company agree that each of them may use any modifications and improvements to the bus designs which are developed by the other, in their respective markets. As a consequence, the Company will have the right to use any modifications and improvements Ashok makes to the bus designs in the Company's Markets and *vice versa*.

The Strategic Co-operation Agreement may be terminated on the breach or insolvency of either party or by the Company in the event that Ashok's shareholding in the Company falls below 20 per cent. of the Company's issued share capital for a continuous period of one year or more due to the actions or omissions of Ashok. However, the perpetual rights already granted to Ashok under the Strategic Co-operation Agreement would not be affected.

The Strategic Co-operation Agreement is conditional on Second Admission.

The Relationship Agreement

Ashok has entered into the Relationship Agreement with the Company, whereby Ashok is entitled to appoint two non-executive directors out of a total Board of six. The Company is required to

consult Ashok on all key management appointments and Ashok can nominate candidates for certain senior positions provided that all appointments remain a matter for the Board.

The Relationship Agreement provides for a steering committee to be established comprising nominees from both Ashok and Optare to co-ordinate and oversee future development of the Company's products and markets.

The Company is required to consult with Ashok in relation to various specified matters, including the issue of new Ordinary Shares, new share warrants or new share options, the appointment or removal of auditors and the Company secretary, material borrowing, the issuance of any material guarantee or indemnity, any material disposal of assets, any material transaction between the Company and its shareholders, business strategies and annual budgets, provided that any final decision on any of these matters remains with the Board. The Relationship Agreement may be terminated if Ashok's shareholding falls below 20 per cent. for a continuous period of one year due to the actions or omissions of Ashok and will automatically terminate if Ashok's shareholding falls to 0 per cent.

Ashok is subject to obligations of confidentiality and the agreement provides that nothing in it shall require the Company to breach the AIM Rules.

The Relationship Agreement is conditional on Second Admission.

The Share Warrants and Cenkos Share Warrants

The Share Warrants and Cenkos Share Warrants represent the majority of the share warrants referred to in the Company's announcement on 22 January 2010, none of which have to date been issued. Three Shareholders have chosen to subscribe for Share Warrant Shares either in full satisfaction or in part satisfaction of share warrants referred to in that announcement which they were due to receive. The Share Warrants and Cenkos Share Warrants have been repriced at the Issue Price to reflect the arrangements agreed with Ashok in respect of the Ashok Share Issue.

The Share Warrants and Cenkos Share Warrants will be exercisable for a period of twenty four months.

The Share Warrants will be issued by 12 August 2010 under the general share allotment authorisations granted to the Directors at the Annual General Meeting on 30 June 2010. The Cenkos Share Warrants will be issued after the General Meeting to be held on 16 August 2010 on the basis of the share allotment authorisations granted at that meeting

The Company will raise approximately £1.4 million if the Share Warrants and the Cenkos Share Warrants are exercised in full.

The terms of the Share Warrants and Cenkos Share Warrants provide that new Ordinary Shares will be allotted no later than seven days after exercise and that application will be made for admission of such Ordinary Shares to AIM no later than five business days after the issue of such new Ordinary Shares.

Dealings

Application will be made to the London Stock Exchange for the Placing Shares, the Share Warrant Shares and the New Shares to be admitted to trading on AIM. It is expected that First Admission will occur on 30 July 2010 and Second Admission will occur on 17 August 2010.

The Placing Shares, the Share Warrant Shares and the New Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends and other distributions declared following the relevant admission.

General Meeting

Set out at the end of this document is a notice convening the General Meeting to be held at the

offices of Optare Group Ltd at Manston Lane, Crossgates, Leeds, West Yorkshire LS15 8SU at 12 noon on 16 August 2010 for the purposes of considering and, if thought fit, passing the Resolutions.

Resolution 1, which will be proposed as an ordinary resolution, is to authorise the Directors to allot the Ashok Shares, the Ashok Share Warrants and the Cenkos Share Warrants conditional on Second Admission. The previous general authority granted at the Company's Annual General Meeting on 30 June 2010 will be discontinued and will not be replaced. Accordingly, Resolution 1 does not include a general authority.

Resolution 2, which will be proposed as a special resolution and which is subject to the passing of Resolution 1 disapplies shareholders' statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their respective holdings) in relation to the issue of the Ashok Shares, the Ashok Share Warrants and the Cenkos Share Warrants. Resolution 2 does not include a general disapplication of statutory pre-emption rights.

Action to be taken

A Form of Proxy for use at the General Meeting accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible, but in any event so as to be received by no later than 12 noon on 12 August 2010. The completion and return of a Form of Proxy will not preclude Shareholders from attending the General Meeting and voting in person should they so wish.

Directors' Recommendation

The Directors consider the Proposals to be in the best interests of the Company and its Shareholders as a whole and accordingly unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do so in respect of their own beneficial holdings amounting, in aggregate, to 5,132,035 Existing Ordinary Shares, representing approximately 1.9 per cent. of the existing issued share capital of the Company.

Yours faithfully

John Fickling
Chairman

Optare plc

(Registered and incorporated in England and Wales under the Companies Act 1985 with company number 06481690)

Notice of General Meeting

Notice is hereby given that a general meeting (the "**General Meeting**" or the "**Meeting**") of Optare plc (the "**Company**") will be held at the offices of Optare Group Ltd at Manston Lane, Crossgates, Leeds, West Yorkshire LS15 8SU on 16 August 2010 at 12 noon for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution.

Ordinary resolution:

1. That the Directors of the Company be and are hereby generally and unconditionally authorised (in substitution for any previous authority to the extent not utilised) for the purposes of Section 551 of the Companies Act 2006 (as amended) (the "Act") to exercise all the powers of the Company to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company (such shares and such rights to subscribe for or to convert any security into shares in the Company being "equity securities") on such terms and in such manner as they shall think fit, provided that this authority shall be limited to:
 - 1.1 the allotment no later than 31 August 2010 conditional on Second Admission (as that expression is defined in a Circular from the Company to its Shareholders dated 29 July 2010 ("the Circular") of which this Notice of General Meeting forms part) of the Ashok Shares ("Ashok Shares" having the meaning ascribed to it in the Circular) being equity securities up to a maximum aggregate nominal amount of £993,578.28;
 - 1.2 conditional on Second Admission (as that expression is defined in the Circular) the issue no later than 31 August 2010 to Ashok Leyland Limited of share warrants by the Company convertible into a maximum of 10,745,934 ordinary shares of 1p each in the capital of the Company (subject to the terms of such share warrants) and the subsequent allotment of all or any of such ordinary shares of 1p each ("the Ashok Share Warrants") being equity securities up to a maximum aggregate nominal amount of £107,459.34; and
 - 1.3 conditional on Second Admission (as that expression is defined in the Circular) the issue not later than 31 August 2010 to Cenkos Securities plc of share warrants by the Company convertible into a maximum of 2,683,869 ordinary shares of 1p each in the capital of the Company (subject to the terms of such share warrants) and the subsequent allotment of all or any of such ordinary shares of 1p each ("the Cenkos Share Warrants") being equity securities up to a maximum aggregate nominal amount of £26,838.69.

Special resolution:

2. That, subject to and conditional upon the passing of resolution 1 above, the Directors of the Company be given power pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company for cash pursuant to the authority conferred by resolution 1 above as if Section 561 of the Act did not apply to any such allotment, such power to expire (unless the authority conferred by resolution 1 above is previously renewed, revoked or varied) on 31 August 2010. This power is limited to:

- 2.1 the allotment conditional on Second Admission (as that expression is defined in the Circular) of the Ashok Shares ("Ashok Shares" having the meaning ascribed to it in the Circular) being equity securities up to a maximum aggregate nominal amount of £993,578.28;
- 2.2 the issue of the Ashok Share Warrants and the conversion rights thereunder being equity securities up to a maximum aggregate nominal amount of £107,459.34; and
- 2.3 the issue of the Cenkos Share Warrants and the conversion rights thereunder being equity securities up to a maximum aggregate nominal amount of £26,838.69.

Dated: 29 July 2010

By order of the Board

*Registered office:
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD*

*Mike Dunn
Company Secretary*

Notes:

1. Entitlement to Attend and Vote

Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 (as amended), the Company specifies that only those holders of Ordinary Shares of 1p each in the capital of the Company registered in the Company's Register of Members at:

1.1 6pm on 12 August 2010; or

1.2 if this meeting is adjourned, at 6:00pm two working days prior to the adjourned meeting;

shall be entitled to attend and vote at the Meeting in respect of the number of Ordinary Shares of 1p each in the capital of the Company registered in their name at that time. Subsequent changes to entries in the Register of Members as at 6pm on 12 August 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. Appointment of Proxies

2.1 If you are a member of the Company at the time set out in paragraphs 1.1 or 1.2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting (whether on a show of hands or on a poll) and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to your proxy form.

2.2 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

2.3 The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:

2.3.1 completed and signed;

2.3.2 sent or delivered to Capita Registrars Proxy Department,, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU; and

2.3.3 received by Capita Registrars no later than at 12 noon on 12 August 2010 or two working days prior to any adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, one working day before the time appointed for the taking of the poll.

2.4 In the case of a member which is a Company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

3. *Attending in Person*

The sending of a completed form of proxy to the Company's registrars will not preclude members from attending and voting at the meeting, or any adjournment thereof, in person, should they so wish.

4. *Documents on Display*

Copies of the Strategic Co-operation Agreement, the Subscription Agreement (including the instrument creating the Ashok Share Warrants) and the Relationship Agreement will be available for inspection at the Company's registered office from the date of this Notice of General Meeting up to and including the date of the General Meeting and at the location of the General Meeting for at least 15 minutes prior to the General Meeting and during the Meeting.