21 September 2009

Optare plc
(“Optare”, the “Company” or the “Group”)

Interim Results Announcement

For the six months ended 30 June 2009

CORPORATE STATEMENT

Optare plc (AIM:OPE), is pleased to announce its results for the six months ended 30 June 2009. A leading name in the UK bus and coach industry, Optare specialises in the design, manufacture and supply of single and double deck buses and coaches and also offers a comprehensive after-sales and upgrade service.

KEY HIGHLIGHTS

- **Turnover up 567% to £52.1m in the six months to 30 June 2008 (2008 £7.8m)**
- **Operational changes resulted in a 32% reduction in employees per bus produced**
- **Manufacturing build time for buses reduced by 50%**
- **Product development portfolio of low carbon and fuel efficient buses nearing completion**
- **Loss per share from continuing operations before exceptional costs reduced by 43% to 2.4p (2008: loss 4.2p)**

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

““I am delighted with the rapid progress being made to turn the business around after a difficult period for the company. While market conditions will continue to be challenging over the next 6 to 9 months, Optare will be well placed to make a strong recovery as demand for new buses improves.”

For further information:

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CHAIRMAN'S STATEMENT

The first half of the year has been challenging as we dealt with issues carried over from 2008 whilst the market demand has fallen substantially. Nonetheless, the Company has taken a wide range of actions to improve operations and reduce costs including identifying opportunities for new products and for outsourcing raw materials and components with a view to keeping costs at a minimum.

We have also raised £8.6 million by way of a share placing, subject to shareholder approval later today. This monies raised will significantly strengthen the Company's balance sheet and give us the ability to exploit opportunities as the market recovers as we expect it to do so during 2010 – 2011.

John Fickling **21 September 2009**
Chairman

BUSINESS AND FINANCIAL REVIEW

Corporate Overview

As previously referred to, the Company entered the year with a significant over-commitment to orders. The Company's planned move to Walker Park had to be aborted when the developer was unable to fund his part of the planned development. The knock on effect of this was that in order to fulfil existing orders the Company had to increase the manufacturing capacity at the Group's existing sites, with a corresponding effect on cost and levels of disruption. However, these orders are now largely complete. We believe this to have been a one-off issue and going forward we will be able to manage our order book to reflect our manufacturing capacity.

Since I joined on 1 June 2009 the Company has been through an intensive period of activity. Manufacturing at Rotherham has been closed and the freehold site is up for sale. The number of employees per bus has been cut from 5.3 in Q1 to 3.6 in Q3 whilst the manufacturing build time has been reduced from 6 weeks to 3 weeks for double deck buses with a consequent reduction in work-in-progress ("WIP"). Stock and WIP has been reduced from a peak of £20 million in Q1 09 to £12.1 million at 30 June 2009 with actions taken that are expected to reduce this further in the second half of 2009.

Financial Performance

Turnover for the six months ended 30 June 2009 was £52.1 million (6 months to 30 June 2008: £7.8 million). The gross margin was £3.7 million (2008: £0.8 million). The operating loss for the business before exceptional costs was £2.5 million (2008:£1.7million). The average contribution per bus was impacted by the onerous contracts recognised in the accounts for the December 2008. As mentioned above, extra costs of working were incurred to deliver contractual commitments in the absence of the Walker Park site. These costs involved temporary labour, overtime additional travel and transport costs as well as the cost of keeping open our Rotherham manufacturing facility from January 2009 to June 2009.

Exceptional costs incurred in the period totalled £1.3 million comprising £910,000 in respect of redundancies, £272,000 of additional costs in respect of the 2008 onerous contracts, £127,000 in respect of the termination of an exclusive distributorship agreement,(2008: £758,000 comprising £477,000 in respect of the Admission to AIM, £171,000 for restructuring and £110,000 for potential acquisitions).

Loss per share for the period was reduced to 3.6p (2008:7.3p). Loss per share from continuing operations before exceptional costs was 2.4p (2008:4.2p.)

Annualised revenue per employee for the period averaged £120,400 (£60,800 for the period to 30 June 2008).

Current Trading and Prospects

Conditions in the UK market for new bus sales remain very challenging and the Board expects the market, as a whole, to be down this year between 25 to 30 per cent as against 2008. Major operators who also own rail franchises are particularly suffering in the current downturn. The Board believes that Optare's broad product range is one of the Company's key strengths in the current market environment as it generates a higher proportion of retail business, which is proving more resilient than fleet customer business in the current UK market. This strength has also been reinforced by the recent decision by the Board to create "Optare Direct" to focus on the retail sector. Through Optare Direct the Company now deals directly with customers rather than through a distributor and offers contract hire, rental and finance packages to meet the needs of this important retail sector.

In light of the current market conditions the Board has taken significant cost reduction action to ensure that the cost base is in line with activity and is putting into place further actions to reduce break-even point in Q4 and Q1 in 2010, which the Board believes will be the bottom of the current recessionary cycle in the UK bus market. Our current order book stands at £8.8m, compared to £19.9m at 29 June 2009. The trend in the market has been towards shorter lead times.

The Company continues to have a supportive relationship with its bank and as a result the Directors are confident that they will be able to renew the Group's banking facilities on or before 29 October 2009 and expect that new more appropriate covenants will be set at this time.

Product Development

During the period the Company has continued to invest in new products. Our particular emphasis has been on addressing the "green agenda" as the market drivers of fuel efficiency, reduced operating costs and reduced emissions have continued to grow in importance.

The Company's strategy for product development is that the existing core products i.e. the Solo midi bus, the Versa midi single decker, the Tempo large single decker and the Olympus double decker should be complimented by a full range of alternative power sources: enhanced diesel; alternative fuel; hybrid drives; full electric. When combined with the easy interchange of power systems in Optare buses we believe this offers operators a level of "future proofing" that they cannot obtain from other bus manufacturers. The completion of the Solo EV, the UK's first emission-free bus and the Solo DF, the UK's first duel fuel bio-methane bus, have been notable achievements.

Given the differing needs of customers and the rapid advances that are being made in new technology, the Directors feel it is prudent not to be too reliant on any one solution and therefore feel that the Group's strategy, of the core products being complimented by a range of alternative power source vehicles, is an appropriate mix.

£539k of development costs have been capitalised in the period (6 months ended 30 June 2008: £265k).

Improving Efficiency

Since the beginning of June 2009, significant progress has been made improving production efficiencies. The net effect is a reduction in employee numbers on a full-time equivalent basis from a peak of 913 in February 2009 to 553 today (842 as at July 2008), a 39% reduction in staff numbers. The average number of employees per bus produced has been cut from 5.3 in Q1 to 3.6 in Q3 reflecting a 32% improvement. Our Rotherham site was closed on 10 June 2009 and all temporary manufacturing staff contracts have been terminated.

A People Business

The workforce at both our remaining manufacturing sites in Leeds and Blackburn has shown a tremendous level of commitment to the business and co-operation with management at a difficult time as all concerned work together to optimise jobs and skill retention in anticipation of a future upturn in orders. The Board would like to acknowledge this exceptional level of contribution.

Outlook

The market for new buses continues to be lacking in forward visibility. Whilst the Board expects Q4 2009 volumes to be below Q3 2009, which was itself significantly down on H1 2009 we hope that by Q2 2010 there may be some improvement although there is currently no clear visibility. Longer-term we believe the outlook for new bus demand to be good as demand for bus transport continues to grow. We believe that the current shortfall in demand for new buses represents a delayed or pent-up demand, rather than lost sales, as buses continue to be in operation, accumulating mileage. The demands of the Disability Discrimination Act compliance mean that approximately 4,000 vehicles that are not level-access compliant will require replacement by 2014. The Olympics in 2012 are also expected to have a positive impact on demand.

And finally, the Company is delighted to have successfully arranged a placing of new shares with institutional investors raising approximately £8.6m, subject to shareholder approval at the General Meeting to be held later today. The funds raised will be used to complete development of the Company's range of "low carbon" buses and also for working capital whilst looking to support further product cost reduction activity. The monies raised will not only strengthen the balance sheet and reduce net debt but will also give shareholders, customers and suppliers comfort through the current adverse market conditions and will enable the Company the flexibility to exploit the opportunities for profitable growth that the Board is confident will arise as we move towards 2011.

Jim Sumner
Chief Executive Officer 21 September 2009

Consolidated income statement for the six months ended 30 June 2009

	Notes	Unaudited Six month Period ended 30 June 2009	Unaudited Six month period ended 30 June 2008	Audited 72 week period ended 31 December 2008
		£000	£000	£000
Revenue		52,075	7,818	53,490
Cost of sales – non-exceptional		(48,363)	(6,987)	(48,625)
- exceptional		-	-	(3,007)
- total		(48,363)	(6,987)	(51,632)
Gross profit		3,712	831	1,858
Administrative expenses		(6,091)	(2,470)	(10,068)
Amortisation of intangibles		(86)	(21)	(151)
Impairment of goodwill		-	-	(126)
Loss from operations		(2,465)	(1,660)	(8,487)
Restructuring and other exceptional costs	2	(1,309)	(759)	(5,260)
Finance income		-	10	254
Finance costs		(139)	(166)	(529)
Loss for the period from continuing operations	4	(3,913)	(2,575)	(14,022)
Loss for the period from discontinued operations		-	(610)	(610)
Loss on ordinary activities before taxation		(3,913)	(3,185)	(14,632)
Taxation		-	-	710
Profit attributable to the equity holders of the parent company		(3,913)	(3,185)	(13,922)
Earnings/(loss) per ordinary share :				
- From continuing and discontinued operations after exceptional items (basic and diluted)	4	(3.6)p	(7.3p)	(23.6)p
- From continuing operations after exceptional items (basic and diluted)	4	(3.6)p	(5.9)p	(22.6)p
- From continuing operations before exceptional items (basic and diluted)	4	(2.4)p	(4.2p)	(8.6)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 30 June 2009

	Notes	Unaudited As at 30 June 2009 £000	Unaudited As at 30 June 2008 £000	Audited As at 31December 2008 £000
Non-current assets				
Goodwill	5	6,764	-	6,764
Other intangible assets		3,779	266	3,326
Property, plant & equipment		6,536	426	6,737
		17,079	692	16,827
Current assets				
Inventories	5	12,049	2,443	16,823
Trade and other receivables		10,697	1,767	10,044
		22,746	4,210	26,867
Total assets		39,825	4,902	43,694
Current liabilities				
Bank loans and overdrafts		3,008	167	2,318
Trade and other payables		21,851	3,856	21,200
Current provisions		868	498	2,301
Obligations under finance leases		34	-	249
		25,761	4,521	26,068
Non current liabilities				
Bank loans		7,510	-	6,799
Deferred tax liabilities		256	-	263
Provisions	5	1,688	-	2,029
Obligations under finance leases		21	-	33
		9,475	-	9,124
Total liabilities		35,236	4,521	35,192
Net Assets		4,589	381	8,502
Equity				
Called up share capital		1,084	493	1,084
Share premium		15,798	-	15,798
Merger reserve		5,542	5,542	5,542
Retained earnings		(17,835)	(5,654)	(13,922)
Total equity attributable to equity holders of the parent		4,589	381	8,502

Consolidated cash flow statement for the six month period ended 30 June 2009

	Unaudited Six month period ended 30 June 2009	Unaudited Six month period ended 30 June 2008	Audited 72 week period ended 31 December 2008
	£000	£000	£000
Operating activities			
Loss before tax	(3,914)	(3,185)	(14,632)
Depreciation and amortisation	619	171	782
Impairment of goodwill	-	-	126
Net finance expense	139	156	274
Loss on disposal of fixed assets	-	-	135
Operating cash flows before movements in working capital	(3,156)	(2,858)	(13,315)
Movement in inventories	4,657	413	(4,349)
Movement in trade and other receivables	(652)	(539)	(8,488)
Movement in trade and other payables	644	1,114	11,614
Movement in provisions	(1,775)	(397)	1,090
Cash absorbed by operations	(282)	(2,267)	(13,448)
Interest received	-	10	254
Interest paid	(139)	(56)	(529)
Net cash flow from operating activities	(421)	(2,313)	(13,723)
Investing activities			
Purchase of property, plant and equipment	(216)	(123)	(1,169)
Purchased intangible assets	(539)	(266)	(1,069)
Proceeds of disposal of property, plant and equipment	-	-	2,420
Acquisition of subsidiaries	-	-	(7,660)
Cash received from acquisitions	-	-	838
Disposal of subsidiaries	-	-	(235)
Net cash flow from investing activities	(755)	(389)	(6,875)
Financing activities			
Loan repayments	(996)	-	(1,184)
Proceeds from issuance of ordinary shares	-	-	20,946
Net cash flow from financing activities	(996)	-	19,762
Net decrease in cash and cash equivalents	(2,172)	(2,702)	(836)
Cash and cash equivalents at the beginning of the period	(836)	2,535	-
Cash and cash equivalents at the end of the period	(3,008)	(167)	(836)

Notes to the half yearly financial information

1. Basis of preparation

This unaudited consolidated half-yearly financial information for the half year ended 30 June 2009 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 2008 and those which are expected to be adopted in the 31 December 2009 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 2008 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 Board of Directors on 18 September 2009.

2. Exceptional costs

Exceptional costs incurred in the period totalled £1,309k comprising £910k in respect of redundancies; £272k of additional costs in respect of the 2008 onerous contracts; £127k in respect of the termination of an exclusive distributorship agreement; (2008: £477k in respect of the Admission to AIM, £171k for restructuring and £110k for potential acquisitions)

3. Principal risks and uncertainties for the six months ending 31 December 2009

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 2008 Annual Report and Accounts which can be downloaded from the Group's website (www.optare.com). 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.

4. Earnings/(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. The number of equity voting shares in issue the prior reported period ended 30 June 2008 has been restated to reflect the merger accounting of Optare UK Limited. Therefore the number of shares in the prior reported period is the aggregate of the weighted average number of shares of the combined entities, adjusted to equivalent Optare plc shares and for shares issued during that period. There were no potentially dilutive securities in existence during the period and so basic and diluted earnings per share are identical.

	Unaudited	Unaudited	Audited
	Six month period ended 30 June 2009	Six month period ended 30 June 2008	72 week period ended 31 December 2008
Retained (loss)/earnings for the period (£000)	(3,914)	(3,185)	(13,922)
Weighted average number of shares ('000)	108,460	43,357	58,926
Basic and diluted loss per ordinary share (pence per share)	(3.6)p	(7.3)p	(23.6)p
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Retained (loss)/earnings for the period from continuing operations after exceptional costs (£'000)	(3,914)	(2,574)	(13,312)
Weighted average number of shares ('000)	108,460	43,357	58,926
Basic and diluted (loss)/earnings after exceptional items per ordinary share (price per share)	(3.6)p	(5.9)p	(22.6)p
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Retained (loss)/earnings for the period from continuing operations before exceptional costs (£000)	(2,605)	(1,816)	(5,045)
Weighted average number of shares ('000)	108,460	43,357	58,926
Basic and diluted (loss)/earnings before exceptional items per ordinary share (pence per share)	(2.4)p	(4.2)p	(8.6)p
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5. Review of provisional fair values

In accordance with IFRS 3 "Business Combinations" the Company has revised the fair values of the assets acquired on 15 July 2008 via the acquisition of the Jamesstan/Optare group. The Company has revised its estimate of the realisable value of stock and the likely future cost of warranties as of that date. The effect of the revision is set out below

As at 31 December 2008

	Provisional	Adjustment	Revised
	£000	£000	£000
Goodwill	5,864	900	6,764
Inventories	17,223	(400)	16,823
Provisions	1,688	(500)	(2,029)