Optare plc

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

Interim Results for the six months ended 30 September 2012

CORPORATE STATEMENT

Optare plc (AIM: OPE), is pleased to announce its results for the six months ended 30 September 2012. A leading name in the UK bus industry, Optare specialises in the design, manufacture and supply of city buses, is a leader in low carbon bus technology and offers a comprehensive after-sales service.

OPERATIONAL HIGHLIGHTS*

- Year on year UK market registrations up 46% for the 6 months ending September 2012;
- Export sales revenues reached a record £10.5m for the 6 months in FY 2013; and
- In the quarter from July to September, Optare achieved the significant milestone of turning an EBITDA profit of £146,000
- Continued investments made in low carbon product developments, recognised recently by winning the Society of Motor Manufacturers and Traders prestigious annual Innovation Award for our fast charging Versa Electric Bus, launched in June this year.

FINANCIAL HIGHLIGHTS*

- Sales revenues increased 106% from £22.7m (H1: 2011) to £46.7m in H1 FY 2013 ;
- Direct labour reduced from 15.2% (H1: 2011) to 7.9% (H1 FY2013) and administration costs (for the same period) reduced from 23.7% to 10.2% of sales revenues due to benefits of restructuring, factory consolidation and higher revenues;
- EBITDA losses reduced by 54% from £2.54m (H1: 2011) to £1.18m (H1 FY2013). However these losses were incurred during the first quarter (April to June 2012) before completing closure and clearance of the Blackburn site, sale of the balance of the Rotherham site and full ramp-up in sales output as part of the turnaround plan; and
- Loss per share reduced from 0.6p to 0.1p

* During the year the Company’s accounting reference date was changed from 31 December to 31 March. Accordingly, references throughout to H1 2011 are for the period from 1 January 2011 to 30 June 2011 and references to H1 FY2013 are for the period from 1 April 2012 – 30 September 2012.

Commenting on the interim results and the 3 year turnaround, Chief Executive Officer, Jim Sumner said;

“I am delighted with the significant progress we have made against the turnaround plan and would like to take this opportunity to thank the Board for their support and the efforts and commitment of the entire organisation over what has been a very challenging period for the business. I have every confidence that Optare will go from strength to strength as part of Ashok Leyland’s global business.”

For further information:

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Jim Sumner - Chief Executive

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Stephen Keys/Camilla Hume

CHAIRMAN'S STATEMENT

As the board anticipated, Q2 of FY 2013 (Jul to Sept 2012) saw the company achieve a positive EBITDA for the first time following execution of the key turnaround actions. In addition we continued to invest in new factory and product developments and the Group is now positioned to increase UK and export sales in both retail and fleet segments. Finally could I take this opportunity to again thank Jim for the outstanding job he has done and wish him all the very best in the future.

John Fickling,

Non Executive Chairman **17th December 2012**

BUSINESS AND FINANCIAL REVIEW

- Turnover for the 6 months ended 30 September 2012 was £46.7m (H1 2011: £22.7m) due to increased sales of Hybrid and Electric buses in the UK and export sales to South Africa;

- Direct labour costs reduced to 7.9% (H1 2011:15.2%) and administration costs reduced to10.2% (H1 2011:23.7%) of sales revenues in the 6 months to September 2012 due to benefits of restructuring, factory consolidation and higher revenues;

- Sale of the balance of the Rotherham site was completed in June 2012 for a gross consideration of £1.0m;

- Exceptional costs in the 6 months to 30 September 2012 totalled £1.1m (H1 2011: £0.9m), principally comprising of the Blackburn and Rotherham property closures and clearance costs (£0.6m), stock write downs (£0.2m) and other restructuring costs (£0.2m). With all the factory closures completed, exceptional costs moving forward are expected to be significantly reduced;

- The Board has continued to invest in the long-term future of the business with capital expenditure in the 6 months to 30 September 2012 of £1.0m (H1 2011: £1.2m). The expenditure was principally on product development and facility investments at the new Sherburn site.

- Optare's banking arrangements are supported by HSBC and Barclays with a total working capital facility available for utilization of £15m. All banking facilities are backed by an Ashok Leyland corporate guarantee.

- Pre-exceptional loss per share for the period was reduced to 0.15p (H1 2011:0.71p). Loss per share before exceptional costs was 0.10p (H1 2011:0.57p)

Current trading and prospects

- Order book at the end of September 2012 was £19.4m. This current lower level of order is in part a reflection of the shorter lead-times being achieved at the new factory in Sherburn. Optare is also currently awaiting news on the UK Group tenders for 2013 which are planned to be announced in coming months.

- The first 30 buses built in South Africa have now entered service and a total of 98 buses have been built against the initial contract of 190 buses. A further order for an additional 31 buses is under discussion for delivery before June 2013;

- Optare launched 3 new products at the Euro Bus 2012 show at the NEC Birmingham in November 2012. These are targeting fleet opportunities with major UK groups and also the London market. In addition, successful shows in Sweden and Germany and a product launch in South Africa have generated a number of positive enquiries and prospects;

- Plans have been made to build a number of Optare demonstration units for the Middle Eastern market in Ashok's RAK facility close to Dubai. This is seen as an important target market to support growth outside the UK;

- Optare also expects to put its first mechanical hybrid bus into service with a major operator in Q2 2013.

- The Board believes that its investments in developing Electric buses are well timed and we now have a substantial lead on the competition. With increasing fuel costs along with more costly and complicated technology needed to reduce tail-pipe emissions, Electric buses make increasing commercial sense and offers a key growth opportunity.

- Changes to working patterns at the Sherburn factory are planned to be implemented by management on the 2nd January 2013 after extensive consultations with the workforce, union members and ACAS. These will further improve efficiencies and provide greater flexibility to meet customer requirements.

- Material cost reductions of £900 per bus have been made during the first half of FY 2013. The benefit of Ashok Leyland's purchasing leverage is gaining momentum and a further £3000 per bus is targeted in the second half of the financial year. Concurrent to the continuing efforts on fixed cost and direct labour cost reductions, the thrust is now firmly on material cost reductions and revenue growth to achieve sustainable profit improvements.

Board and management changes

- As previously announced, Jim Sumner will be stepping down as CEO and Director on the 31 December 2012. He will be succeeded by Per Gustav Nilsson (known as "PG"), a current non-executive director and head of Ashok Leyland's International Operations. PG has considerable experience in the industry having held positions as Managing Director of Scania CIS, followed by four years as Managing Director of MAN Russia. PG brings a wealth of business development and sales experience in export markets to support Optare's growth strategy.

Outlook

- Notwithstanding the current poor economic sentiments, the Board still anticipates an increase in UK demand, particularly for single deck buses in 2013 and 2014, driven by DDA legislation and an expected pre-buy of buses ahead of Euro VI emission legislation. However an increasing proportion of sales moving forward are planned to come from Export markets to de-risk current dependency on a cyclical UK market.

- While economic conditions remain challenging, the Board believes it has taken the right long-term decisions during the turnaround and restructuring to enable the business to grow and looks forward to 2013 and beyond with confidence.

Consolidated income statement for the six months ended 30th September 2012 (unaudited)

	Unaudited Six month period ended 30 September 2012 £000's	Unaudited Six month period ended 30 June 2011 £000's	Audited 15 month period ended 31 March 2012 £000's
Revenue	46,692	22,749	71,935
Cost of Sales			
non exceptional	(43,390)	(20,268)	(68,370)
exceptional	(774)		(3,823)
total	(44,164)	(20,268)	(72,193)
Gross profit/(Loss)	2,528	2,481	(258)
%	5.4%	10.9%	-0.4%
Administrative expenses	(4,765)	(5,381)	(11,305)
Amortisation of intangibles	(334)	(325)	(422)
Restructuring and other exceptional costs	(314)	(896)	(776)
Loss from operations	(2,885)	(4,121)	(12,761)
Finance income		154	222
Finance costs	(416)	(433)	(853)
Loss for the period from continuing operations	(3,301)	(4,400)	(13,392)
Loss on ordinary activities before taxation	(3,301)	(4,400)	(13,392)
Taxation	-	-	
Loss attributable to the equity holders of the parent company	(3,301)	(4,400)	(13,392)
From continuing operations after exceptional items (basic and diluted)	(0.15)p	(0.71)p	(1.40)p
From continuing operations before exceptional items (basic and diluted)	(0.10)p	(0.57)p	(0.90)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 2012 (unaudited)

	Unaudited	**Unaudited**	**Audited**
	Six month period ended 30 September 2012	Six month period ended 30 June 2011	15 month period ended 31 March 2012
	£000's	£000's	£000's
Non-current assets			
Goodwill	8,574	8,574	8,574
Other intangible assets	8,289	7,160	8,032
Property, plant equipment	3,258	2,524	3,126
	20,121	18,258	19,732
Current assets			
Inventories	6,408	10,549	11,275
Trade and other receivables	5,701	5,217	8,143
Cash & Cash Equivalents	1,745	-	587
	13,854	15,766	20,005
Asset held for resale	-	1,004	1,000
Total assets	33,975	35,028	40,737
Current liabilities			
Trade and other payables	16,228	20,802	20,166
Loans and overdrafts	15,708	3,025	15,207
Current provisions	1,400	909	1,405
Obligations under finance leases	55	23	49
	33,391	24,759	36,827
Non current liabilities			
Bank loans	-	1,264	-
Provisions	1,062	1,423	1,053
Obligations under finance leases	211	22	245
	1,273	2,709	1,298
Total liabilities	34,664	27,468	38,125
(Net Liabilities)Net Assets	(689)	7,560	2,612
Equity			
Called up share capital	9,005	7,521	9,005
Share premium	29,965	29,967	32,396
Share based payment reserve	198	49	198
Merger reserve	5,542	5,542	5,542
Retained loss	(45,399)	(35,519)	(44,529)
Total (Defficit)/Equity attributable to equity holders of the parent	(689)	7,560	2,612

Consolidated Cash flow Statement for the six month period ended 30th September 2012 (unaudited)

	Unaudited Six month period ended 30 September 2012	Unaudited Six month period ended 30 June 2011	Audited 15 month period ended 31 March 2012
	£000's	£000's	£000's
Operating activities			
Loss before tax	(3,301)	(4,400)	(13,392)
Tax			
Depreciation and amortisation	613	689	1,370
Share based payments	-	-	171
Net finance expense	416	279	631
(Profit)/Loss on disposal of fixed assets	20	(20)	54
Operating cash flows before movements in working capital	(2,252)	(3,452)	(11,166)
Movement in inventories	4,867	(2,807)	(3,159)
Movement in trade and other receivables	2,442	(443)	(3,369)
Movement in trade and other payables	(3,941)	3,771	3,135
Movement in provisions	6	(515)	(387)
Cash generated/(absorbed by) operations	1,122	(3,446)	(14,946)
Interest received		154	222
Interest paid	(416)	(433)	(853)
Net cash flow from operating activities	706	(3,725)	(15,577)
Investing activities			
Purchase of property, plant and equipment	(478)	(575)	(1,920)
Internal capitalised costs	(542)	(614)	(1,582)
Proceeds of property sale	1,000	1,016	1,000
Net cash flow from investing activities	(20)	(173)	(2,502)
Financing activities			
Loan repayments	-	(3,236)	(3,395)
Proceeds from issuance of ordinary shares		6,949	10,821
Short term loans	(617)		9,995
Hire purchase agreement repayments	(28)		(23)
Net cash flow from financing activities	(645)	3,713	17,398
Net decrease in cash and cash equivalents	41	(185)	(681)

Cash and cash equivalents at the beginning of the period	(3,401)	(2,720)	(2,720)
Cash and cash equivalents at the end of the period	(3,360)	(2,905)	(3,401)

Consolidated statement of changes in equity for the six month period ended 30 September 2012 (unaudited)

	Share Capital	Share Premium	Merger Reserve	Retained earnings	Share based payment reserve	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31st March 2012	9,005	32,396	5,542	(44,529)	198	2,612
Loss for the period				(3,301)		(3,301)
Total comprehensive income for the year	9,005	32,396	5,542	(47,830)	198	(689)
Transactions with owners in their capacity as owners:						
Issues of shares and warrants		(2,431)		2,431		-
Share based payments						-
Transactions with owners in their capacity as owners:	-	(2,431)	-	2,431	-	-
Balance at 30 September 2012	9,005	29,965	5,542	(45,399)	198	(689)

Notes to the half yearly financial information for the six month period ended 30 September 2012

1. Basis of preparation

The unaudited consolidated half-yearly financial information for the half year ended 30 September 2012 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 2011 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 2012 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 17 December 2012.

2 Principal risks and uncertainties for the six months ending 30 September 2012

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 2012 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 2012	As at 30 June 2011	15 month period ended 31 March 2012
	£000's	£000's	£000's
Loss for purposes of basic loss per share	(3,301)	(4,400)	(13,392)
(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	617,033,133	967,052,981
Basic and fully diluted loss per share	(0.15)p	(0.71)p	(1.40)p
Excluding Exceptional items			
Loss for purposes of basic loss per share	(3,301)	(4,400)	(13,392)
(net loss for the period attributable to equity holders of the parent)			
Adjustment to exclude exceptional costs	1,088	896	4,599
Loss from continuing operations for the purposes of basic earnings per share	(2,213)	(3,504)	(8,793)
Basic and fully diluted loss per share	(0.10)p	(0.57)p	(0.90)p