30 September 2008

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

Interim Results Announcement

For the six months ended 30 June 2008

CORPORATE STATEMENT

Optare plc (AIM:OPE) today announces its results for the six months ended 30 June 2008. 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 service.

KEY HIGHLIGHTS

- **Admission to AIM on 25 February 2008**
- **Post-period end acquisition of the Optare/Jamesstan Group and £16m fundraising, creating the UK's second-largest bus manufacturer**
- **Strong current cash position of £8.1m**
- **Robust order intake and enhanced relations with major operators**
- **Significant operational improvements including 22 per cent reduction in man hours per bus**
- **Increased investment in product development programme**
- **Turnover of £7.8m in the six months to 30 June 2008, with pro-forma turnover for the enlarged Group of £38.4m for the period**
- **Loss per share from continuing operations before exceptional costs of 4.2p (144-day period ended 31 December 2007: 7.4p). Pro-forma earnings per share from continuing operations before exceptional costs of 0.4p**

Commenting on the interim results, Chief Executive Officer, Andrew Brian, said:

"*The period was one of transition for the Group, with major restructuring and refocusing of the business. Against this background of change, I am pleased to report that we have seen significant improvements across all areas of our operations.*

"Our focus on both innovation and cost control makes for a more competitive organisation and we are confident that the enlarged Optare group is making great progress towards achieving sustainable growth, and becoming the UK's leading bus manufacturer.

"During the period, we deepened existing relationships with some of the largest bus operators in the UK and formed important new ones. This is already proving valuable to our sales pipeline and places us in a strong commercial position moving forward.

"In July 2008, we successfully acquired the Jamesstan/Optare Group, which brought critical mass and enabled us to greatly increase operational efficiency and strengthen the management team. The acquisition was financed by a successful share placing of £16m. Given the extremely difficult conditions in the financial markets, this is a strong endorsement of our Group's growth potential and reflects the confidence our investors have in our strategy.

"Looking to the second-half of the year, we will continue to invest in restructuring, producing further long-term cost savings and enhanced operational efficiencies. In terms of infrastructure, we are in advanced discussions and expect to sign a lease on new, state-of-the-art premises in Lancashire shortly. Despite the investment that this will require, we expect to end the year with a strong cash position."

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CHAIRMAN'S STATEMENT

Our vision is to become the leading manufacturer of buses in the UK and we have taken important steps towards achieving this. In February 2008, we floated on the AIM market and, in July 2008, we acquired the Optare/Jamesstan Group, one of the main players in the UK market, with a particular strength in its midi and single deck product range. The enlarged Group has emerged as a more cost-conscious operation, focused on efficiency and growth.

I was appointed Non-Executive Chairman on 4 September 2008, succeeding Roy Stanley, who has stepped down to Non-Executive Director. On behalf of the Board, I would like to take this opportunity to thank Roy for bringing the benefit of his experience to the Group's acquisition programme, AIM listing and initial integration phase. I would also like to welcome David Maughan to the Company. David joined the Board as a Non-Executive Director on 25 September 2008, and brings a wealth of operational experience, gained as Supply Chain Director of Bentley Motors, and later at VW Group.

I look forward to working closely with the executive team, as well as our customers, business partners and employees, to draw on our collective knowledge and accelerate the pace of change and integration within the business. Our continued operational improvements give us every reason to believe that the future is bright for Optare.

John Fickling **30th September 2008**
Chairman

BUSINESS AND FINANCIAL REVIEW

Corporate Overview
This has been a period of intense activity for the newly-formed Optare plc. Since incorporation in August 2007, we have acquired the business and assets of East Lancashire Coachbuilders Ltd ("ELC") and Leyland Product Developments Ltd ("LPD"). The Company was then admitted to trading on AIM as Darwen Holdings plc in February 2008. Most recently, in July 2008, the Company raised £16m of share capital via a placing with institutional investors to fund the acquisition and integration of Jamesstan Investments Limited ("Jamesstan"), the holding company of the Optare group of companies. At the same time, the Group changed its name from Darwen Holdings plc to Optare plc.

We set out to consolidate the bus manufacturing sector, the successful completion of which has created the UK's second largest bus manufacturer, supplying the most comprehensive range of products to major operating groups. From our market-leading 'Solo' midi bus range to our highly regarded 'Olympus' double deck bus, our customers recognise the benefits of trading with Optare, which can meet the majority of their fleet purchasing requirements. Furthermore, our strategy of creating single-site integrated manufacturing plants affords us a unique ability to deliver the most cost-effective solutions to the market.

Financial Performance
The results for the period reflect an ongoing programme of restructuring of the Group's operations. ELC and LPD were both acquired from administration and, as a result, required the implementation of a radical turnaround strategy to secure future profitability and financial stability. The implementation of this strategy is well advanced.

Turnover from continuing activities for the six months ended 30 June 2008 was £7,818k (144 days to 31 December 2007: £4,106k). The gross margin was £831k (2007: £40k). The operating loss for the business before exceptional costs was £1,660k (2007:£1,705k).

Exceptional costs incurred in the period totalled £758k. These included £477k in respect of the Admission to AIM, £171k for restructuring and £110k for potential acquisitions (2007: £881k relating to restructuring).

Loss per share for the period was 7.3p (144 day period ended 31 December 2007: 11.5p). Loss per share from continuing operations before exceptional costs was 4.2p (2007: 7.4p). Pro-forma profit from continuing operations before exceptional costs was 0.4p.

At 30 June 2008, the Group had a net overdraft of £167k (31 December 2007: cash of £2,535k) and net debt of £167k (31 December 2007: £2,535k net cash). At the time of reporting, the Group's net debt position is approximately £1,300k, comprising £8,100k cash and £9,400k in bank and other loans. In addition, the Group has unutilised working capital facilities of £5,000k.

Annualised revenue per employee for the period averaged £60,800, up from £49,600 for the period to 31 December 2007.

This is the first reporting period of the Company and the first period that the Company will present its consolidated financial statements under International Financial Reporting Standards ("IFRS"). This is also the first consolidated interim financial information prepared under IFRS. The Company has reported under IFRS within its Admission document dated 20 June 2008 (the "Admission Document").

Acquisition of the Optare/Jamesstan Group
The Optare/Jamesstan Group was an attractive acquisition target because of the following key strengths:

- *Extent and quality of customer base* – the Optare/Jamesstan Group supplies to a variety of major national and local bus operators, including Stagecoach, Mistral and Arriva, and the acquisition has brought important new relationships to the enlarged Group;
- *Extensive product range* – the Optare/Jamesstan Group offers a diverse range of products, notably in smaller and single deck vehicles, which complemented the Group's existing range. In particular, this range includes the Solo model, which accounts for approximately 65 per cent of the UK midi bus market;
- *Integrated solution* – from the design and manufacture of buses to after-sales and support through the Unitec warranty, servicing and parts, the Optare/Jamesstan Group has the ability to act as a 'one-stop' shop for customers;
- *Distribution and geographical reach of the after-sales business* – the Optare/Jamesstan Group has sites in Essex, Rotherham and Glasgow, which provide an extensive range of sales opportunities and the ability to provide better quality customer service across the UK.

We adopted the Optare plc name because of the strength of the brand and its reputation for quality and reliability. These are key features, which the Company plans to enhance and develop further.

Market overview
Recent events in credit and equity markets, together with record oil prices, are creating exceptional uncertainty in some sectors. However, market demand for our products continues to grow, resulting in a forward order book secured to the second half of 2009. We believe this increase in demand is driven by a number of factors, including:

- European, national and local government initiatives to develop public transport solutions
- The introduction of new technologies such as hybrid and all-electric buses, giving improved fuel consumption and reduced emissions
- The total cost of running private cars has increased significantly, resulting in increased demand for public transport, as reported by the major bus operators
- Continued reduction in the age profile of operators' fleets
- The introduction of products compliant with the Disability Discrimination Act

The enlarged Group is gaining greater market penetration with the major bus operators. This has resulted in immediate and significant contract wins. For example, Optare recently secured a £14.25m contract to supply 94 buses to London General Limited, an operating subsidiary of Go-Ahead Plc. These buses are to be delivered commencing in the fourth quarter of 2008. We have also secured a £2.3m contract with Transdev London to supply 19 midi buses, also to be delivered in the fourth quarter of 2008. We believe this is the first order for fully integral twin-door midi buses for a Transport for London ("TfL") operator.

Our current order book stands at £53.1m, compared to £11.4m at December 2007.

Product Development
Optare prides itself on its in-house new product development capability. Comprising a core team of 25 designers and engineers, this team is well placed to deliver a variety of market-leading solutions. The Board believes that extensive research and product development spending on new, integral bus designs will reduce the weight of our vehicles, thereby improving fuel efficiency. In addition, the Board believes that the Company's development work on hybrid-powered and electric-powered vehicles will offer further fuel economy and emissions savings. £265k of development costs have been capitalised in the period.

The Company is designing a new generation of chassis and bodies in order to produce complete buses that carry more passengers and can be manufactured more efficiently. It is expected that this, together with the inclusion in the product range of alternative drive technologies that deliver buses that are less polluting and, thus, less damaging to the environment, will be attractive to bus operators. The first of these will be launched at the Euro Bus Expo in November 2008.

Improving Efficiency
In the period since its inception in August 2007, the operations of the Company have been restructured, and various improvements have been implemented.

In order to improve the focus of the business and reduce costs, the trade and assets of Darwen North West, a coach refurbishment, repair, maintenance and conversion business, and those of our trailer fabrication business, both of which were loss-making, were disposed of in April 2008.

Optare's employee headcount has been reduced by 32 per cent from the 373 acquired with ELC and LPD to 253. A further 589 employees joined the business with the acquisition of the Jamesstan/Optare Group, taking the combined total to 842 as at July 2008. The Company is currently restructuring its operations, the results of which are expected to include:

- Relocation to state-of-the-art facilities in Blackburn
- Relocation of the Rotherham manufacturing site
- Downsizing of the Leeds manufacturing function
- Consolidation of support functions
- Disposal of the after-sales repair business

The Board anticipates further redundancies and significant cost savings as a result of the above actions.

The redundancies were part of a broader move towards greater efficiency. By implementing better working practices, we have raised productivity. The average number of direct man hours required to produce a typical double deck bus has reduced by 22.3 per cent (144 days to December 2007). This reflects the reduced direct labour headcount and also a reduction in the average level of overtime from nearly 40 per cent at ELC (prior to acquisition), to less than 10 per cent in recent months. These advancements have been achieved by various manufacturing initiatives including:

- The introduction of standard work
- An effective ‘quality blitz’ culture
- Formulated line balancing
- Investment in supervisory training
- Management of work intensity

We have restructured the management team to introduce executives with experience and knowledge from outside the bus industry. This initiative is bringing fresh ideas and best practice to the business, complementing existing teams with significant industry experience.

A People Business

This has been a period of great change for our Group and the Board would like to extend its thanks to all staff for their commitment and support. We appreciate that restructuring programmes can be a difficult time for employees and therefore we are striving to follow best practice and to minimise uncertainty wherever possible.

The Board of Directors

We made a number of post-period additions to the Board, beginning with Michael Dunn’s appointment as Chief Financial Officer on 14 July 2008. He is a chartered accountant with nearly 20 years' post-qualification experience.

On 4 September 2008, John Fickling, an existing Non-Executive Director, took up the role of Non-Executive Chairman, succeeding Roy Stanley who stepped down from his role of Executive Chairman to Non-Executive Director in order to focus on other business commitments. As one of the National Bus Company’s youngest-ever chief engineers, John has had a long and successful career in the bus industry. He established and expanded a subsidiary company of the National Bus Company by growth and acquisition in the North-East and London and, when the company was sold in the mid-Nineties, the London operation was the largest privately-owned bus company in the capital.

Most recently, on 25 September 2008, we welcomed automotive purchasing expert, David Maughan, as a Non-Executive Director. David joined from VW Group, where he had been Purchase Director for UK, Ireland and Scandinavia since 2006. Prior to that, he was Supply Chain Director at Bentley Motors from 1998 to 2006.

Outlook

The Board believes that Optare is well positioned to capitalise on increasing market demand for its current and future products. Focusing heavily on customer relationships, we are realising the benefits of these initiatives. With a programme of continual improvement implemented in all areas of operational management, we anticipate an improvement in operating costs.

Total life-cycle costs remain high on the agenda for all our customers. It is the view of the Board that our ongoing programme of product development, building on our existing pedigree, will ensure continued strong demand. Our acquisition programme has brought together businesses that can boast 'best of breed' in product and service. Our order book is full for the remainder of 2008 and into 2009. These factors contribute to the Board's view that demand for our products will remain high for the foreseeable future.

Our admission to AIM and subsequent placing have given us a well-capitalised business capable of delivering cost-effective growth for the Company and its shareholders.

With a strong cash position and order book, the second-half outlook for Optare is very positive. The Group will continue to invest in restructuring in the second half, which we fully anticipate will produce further long-term cost savings and enhanced operational efficiencies.

Andrew Brian
Chief Executive Officer 30 September 2008

Consolidated income statement
for the six month period ended 30 June 2008

	Notes	Unaudited Six month period ended 30 June 2008 £000	Unaudited 144 day period ended 31 December 2007 £000	Unaudited Pro-forma Six month period ended 30 June 2008 £000
Continuing Operations				
Revenue		7,818	4,106	38,350
Cost of sales		(6,987)	(4,066)	(29,545)
Gross profit		831	40	8,805
Negative goodwill release		-	119	-
Administrative expenses		(2,470)	(1,851)	(8,326)
Exceptional costs	2	(758)	(881)	(402)
Amortisation of intangibles		(21)	(13)	(21)
Operating (loss)/profit		(2,418)	(2,586)	56
Finance income		10	31	-
Finance expenses		(166)	(4)	-
(Loss)/profit before taxation		(2,574)	(2,559)	56
Taxation		-	89	(16)
(Loss)/profit for the period from continuing operations		(2,574)	(2,470)	40
Discontinued operations				
(Loss)/profit for the period from discontinued operations	3	(611)	-	-
Loss for the period		(3,185)	(2,470)	40
Earnings/(loss) per ordinary share :				
- Basic from continuing and discontinued operations after exceptional items	3	(7.3p)	(11.5p)	0.0p
- Basic from continuing operations before exceptional items	3	(4.2p)	(7.4p)	0.4p

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 statement of changes in equity
for the six month period ended 30 June 2008

	Unaudited Share Capital £000	Unaudited Merger reserve £000	Unaudited Retained earnings £000
At 31 December 2007	281	5,644	(2,470)
Result for the period	-	-	(3,185)
Share capital issued during the period	212	(102)	-
At 30 June 2008	493	5,542	(5,654)

Consolidated balance sheet
as at 30 June 2008

	Unaudited As at 30 June 2008 £000	Unaudited As at 31 December 2007 £000
Non-current assets		
Property, plant & equipment	426	364
Intangible assets	266	110
	692	474
Current assets		
Inventories	2,443	2,856
Trade and other receivables	1,767	1,228
Cash and cash equivalents	-	2,535
	4,210	6,619
Total assets	4,902	7,093
Current liabilities		
Bank overdrafts	(167)	-
Trade and other payables	(3,856)	(2,743)
Provisions	(498)	(895)
Current and total liabilities	(4,521)	(3,638)
Equity attributable to equity holders of the Company		
Called up share capital	493	281
Merger reserve	5,542	5,644
Retained earnings	(5,654)	(2,470)
Total equity	381	3,455
Total liabilities and equity	4,902	7,093

Consolidated cash flow statement
for the six month period ended 30 June 2008

	Note	Unaudited Six month period ended 30 June 2008 £	Unaudited 144 day period ended 31 December 2007 £000
Operating activities			
Loss before tax		(3,185)	(2,669)
Depreciation		61	27
Amortisation		110	13
Negative goodwill release		-	(119)
Net finance expense		156	83
Gain on sale of property, plant and equipment		-	(39)
		-------------	-------------
Operating cash outflow before changes in working capital		(2,858)	(2,704)
Movement in inventories		413	(1,887)
Movement in trade and other receivables		(539)	(734)
Movement in trade and other payables		1,114	2,241
Movement in provisions		(397)	141
		-------------	-------------
Operating cash outflow from operations		(2,267)	(2,943)
Interest received		10	31
Interest paid		(56)	(3)
		-------------	-------------
Net cash flow from operating activities		(2,313)	(2,915)
		-------------	-------------
Investing activities			
Purchase of property, plant and equipment		(123)	(235)
Development expenditure		(266)	-
Sale of property, plant and equipment		-	2,420
Acquisition of trade and assets		-	(2,660)
		-------------	-------------
Net cash flow from investing activities		(389)	(475)
		-------------	-------------
Financing activities			
Net proceeds from the issue of shares		-	2,811
Issue of convertible debt		-	3,114
		-------------	-------------
Net cash flow from financing activities		-	5,925
		-------------	-------------
Net decrease in cash and cash equivalents		(2,702)	2,535
Cash and cash equivalents at the beginning of the period		2,535	-
		-------------	-------------
Cash and cash equivalents at the end of the period		(167)	2,535
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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 2008 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly consolidated financial report should be read in conjunction with the Admission Document of the Company, dated 20 February 2008 ("the Admission Document"), which was prepared in accordance with IFRS as adopted by the European Union.

These interim financial statements adopt the recognition and measurement requirements of those Standards expected to be applied in the Group's first accounts prepared under International Financial Reporting Standards ("IFRS"). As this is the first period of account of the Group, there are no reconciliations between results previously reported under UK GAAP.

Comparative figures for the period ended 31 December 2007 are those figures extracted from the Admission Document, which were unaudited but prepared under International Financial Reporting Standards.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The accounting policies adopted are consistent with those documented within the Admission Document, as described in that Admission Document.

In particular, during February 2008, the Group implemented a share for share exchange, in order to effect the acquisition of Darwen Group Limited (now Optare UK Limited). In the opinion of the Directors, the share exchange was a group reconstruction rather than an acquisition, since the shareholders in the holding company of the Group after the implementation of the share exchange, being Darwen Holdings plc (now Optare plc), were the same as the shareholders in the holding company before the implementation of the share exchange, with no change to the rights of each shareholder, relative to others. Accordingly, the Directors adopted merger rather than acquisition accounting principles in drawing up the accounts, having regard to the overriding requirement of Section 227(6) of the Companies Act 1985 for the accounts to present a true and fair view of the Group's result and financial position. IFRS3 Business combinations does not identify merger accounting as applicable for business combinations; however it does address the situation where a new holding company is added to an existing group by issuing shares in exchange for the transfer of shares in the existing group. There is currently no guidance as to the appropriate accounting in such situations under IFRS. The Directors therefore believe that it is appropriate to continue to adopt merger accounting for the Group reconstruction under IFRS.

The Board confirms that to the best of its knowledge :

- The condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the EU;
- The interim report includes a fair review of the information required by :
  - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2008 and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the six months ended 30 June 2008 that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the Admission Document that could do so.

The interim report was approved by the Board of Directors on 29 September 2008.

The unaudited pro-forma consolidated income statement for the six month period ended 30 June 2008 have been provided to give an indication of the performance of the group as if the acquisition of the Optare/Jamesstan Group had taken place prior to 1 January 2008. The pro forma P&L comprises the actual trading results of Optare plc plus the actual trading results of the Optare/Jamesstan Group after adding back certain non-trading exceptional costs. No account is taken in the pro-forma results of the discontinued activity (see below). No amortization of intangible assets relating to the acquisition of the Optare/Jamesstan Group is included.

2. Exceptional costs

Exceptional costs incurred in the period totalled £758k. These included £477k in respect of the Admission to AIM, £171k for restructuring and £110k for potential acquisitions (2007: £881m relating to restructuring).

3. Discontinued activity

The company completed the disposal of the trade and assets of Darwen North West, a coach refurbishment, repair maintenance and conversion business and its trailer fabrication business for a consideration of £1. The estimated loss on the sale of the business is £610k. The operating loss of the business for the period up to disposal was £127k on turnover of £557k.

4. Principal risks and uncertainties for the six months ending 31 December 2008

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 Admission Document dated 20 June 2008. The Admission Document 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 except to the extent that there are more working days in the first half-year than the second half

5. 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 during the period and the prior reported period ended 31 December 2007 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.

The pro forma earnings per share is based on the number of shares as described above plus the number of shares issued in respect of the placing and the acquisition of the Jamesstan/Optare as if they had been in issue for the whole period.

	Unaudited Six month period ended 30 June 2008	Unaudited 144 day period ended 31 December 2007	Unaudited proforma Six month period ended 30 June 2008
Retained (loss)/earnings for the period (£000)	(3,185)	(2,470)	40
Weighted average number of shares ('000)	43,357	21,473	102,524
Basic and diluted loss per ordinary share (pence per share)	(7.3p)	(11.5p)	(0.0p)
	-------------	-------------	-------------
Retained (loss)/earnings for the period from continuing operations before exceptional costs (£000)	(1,816)	(1,589)	442
Weighted average number of shares ('000)	43,357	21,473	102,524
Basic and diluted (loss)/earnings before exceptional items per ordinary share (pence per share)	(4.2p)	(7.4p)	0.4p
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