30 September 2010

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

Interim Results Announcement

For the six months ended 30 June 2010

CORPORATE STATEMENT

Optare plc (AIM:OPE), is pleased to announce its results for the six months ended 30 June 2010. 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 also offers a comprehensive after-sales and bus refurbishment service.

KEY HIGHLIGHTS

- Strategic co-operation agreement with Ashok Leyland (“Ashok”) secured
- Operating loss halved in H1 2010 versus H2 2009 on similar turnover
- Key investment in ‘Green bus’ development programmes maintained

Compared to the same trading period in 2009;

- EBITDA loss in H1 2010 reduced to £1.4m despite turnover reduction of 48% due to weak market demand
- Gross profit margin up from 7% H1 09 to 11% H1 10
- Administrative expenses reduced by £1.2m to £4.9m H1 10
- Break-even point reduced by 47% from H1 09 to H1 10
- Exceptional costs reduced from £1.3m H1 09 to £510,000 H1 10
- Net manufacturing debt reduced from £8.4m at 31 December 2009 to £5.5m at 30 June 2010, prior to Ashok investment

Commenting on the interim results which completed his first year as Chief Executive Officer, Jim Sumner, said:

“I am delighted that, despite the challenging market conditions in the first half of this year the Company has continued to make significant progress against its turnaround plan by further reducing its break-even point and debt while continuing to invest in ‘Green Bus’ development and export growth”

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CHAIRMAN'S STATEMENT

As the Board expected, the first half of 2010 saw a continuation of the challenging market conditions experienced in the second half of 2009. Despite the impact on turnover we continued to make turnaround progress by cutting costs, aligning our capacity with market demand and developing our "green" bus products. I believe that the successful conclusion of an agreement with Ashok Leyland for them to acquire 26% of Optare, in August this year, was a transformational milestone for the business as it allows the Group to become a key player in the globalisation of the bus industry.

John Fickling
Chairman **30 September 2010**

BUSINESS AND FINANCIAL REVIEW

Financial Performance

Turnover for the six months ended 30 June 2010 was £27.1 million (6 months to 30 June 2009: £52.1 million) due to a significant reduction in UK market demand. The gross profit before exceptional items was £2.9 million (2009: £3.7 million),an improvement on H1 09 as a percentage of sales being 10.8% (2009: 7.1%).

The EBITDA for the period was a £1.4m loss (6 months to 30 June 2009: £1.8m loss). Operating loss for the business before exceptional costs was £2.3 million (2009:£2.5million) on 48% lower turnover. This is also a halving of losses over the £4.6 million reported for the second half of 2009 on similar turnover.

Exceptional costs incurred in the period totalled £510,000 comprising £200,000 disruption due to the insolvency of a supplier of key components in January 2010 and £310,000 due to redundancy and reorganisations costs (2009: £1,309,000 comprising £910,000 in respect of redundancies, £272,000 of additional costs in respect of onerous contracts, £127,000 in respect of the termination of an exclusive distributorship agreement).Loss per share for the period was reduced to 1.0p (2009:3.6p). Loss per share before exceptional costs was 0.8p (2008:2.4p.).

Net manufacturing debt (net debt excluding debt secured on assets) has been cut to £5.5m at half year (2009:£8.4m). As previously announced, an offer has been received and accepted for the Rotherham site however acceptable financing arrangements could not be agreed between the potential buyer and their bank. While these discussions continue a further expression of interest has been received which the Board is now also reviewing.

Current Trading and Prospects

The current order book stands at £24.4m, a significant improvement compared to the £8.8m reported at the time of the 2009 interim results. This stronger level of orders has resulted in build rates being increased in the second half of 2010, as projected. Delivery will also be completed of the first 20 of the 66 Hybrid buses for Greater Manchester Integrated Transport Executive order during October this year. The Company's efforts to expand export opportunities have also made good progress and the Board expects that approximately 25% of Q4 revenues will come from export markets.

As previously highlighted by the Board, management continues to closely monitor weak suppliers in the current difficult market conditions. This resulted in pre-emptive action being taken during Q3 this year? to change out of a key component supplier who later filed for Chapter 11 protection. This has had a disruptive effect on production at the end of the quarter, although considerably less than if the pre-emptive action had not been taken. A plan has been developed to recover this situation in Q4.

The Board has also taken action to further reduce costs by concentrating all bus manufacturing onto a single site in Leeds during Q3. This contrasts with the three manufacturing sites which were in operation into July of 2009 and has been possible following the successful implementation of lean manufacturing improvements to production processes.

Board and management changes

As previously announced as part of the strategic collaboration with Ashok Leyland, two of their most senior executives will be joining the board of Optare. The two proposed directors will bring a wealth of experience of the global bus industry and will substantially strengthen the board. A further announcement will be made once these appointments have been finalised.

Further strengthening of the middle-management team is also now planned to support the growth strategy of the business.

Outlook

The Board looks forward to the second half of 2010 more positively than the first half as the stronger order book starts to feed through to higher revenues on a further reduced cost base.

In addition the Government has made a further £15m available to support 'Green Bus' purchases and Optare is working with a number of operators to submit bids before the 5 October 2010 deadline. Orders for these Green Buses are expected to be placed before March 2011. As stated previously the Board believes its investment in Green Bus technology is well timed.

The Board is also confident that the benefits of the strategic co-operation with Ashok will achieve earnings enhancing benefit through realisation of synergies. Current focus is on leveraging Ashok's low cost supply chains and the sharing of new lost cost platforms where progress continues on plan. Optare is also benefiting from access to Ashok and the Hinduja group technology, such as the recently publicised use of Ashok's CNG (Compressed Natural Gas) engine technology in Optare markets. Ashok has over 7,000 CNG gas buses operating in India.

The Board also anticipates that there will be stronger UK demand, particularly for single-deck buses, in 2011 and 2012 due to an 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 Disability Discrimination legislation which is required for single-decker buses by 2014. However, it is also expected that this higher demand will come with pressure on pricing as anticipated cuts in public spending affect the transport sector.

As previously announced design work has been completed on Optare's new integrated double deck bus. This will now be able to benefit from the benefits of lower cost sourcing through Ashok to offer customers a more competitive price point as well as many planned new features and benefits. Market launch is now being timed for mid 2011 to also align with the expected market recovery and full realisation of cost savings.

Finally, good progress continues to be made in export markets following recent announcements of orders with key operators in the Netherlands. Further order announcements are anticipated in coming months to build on this success.

In light of the above the Board is looking to the future with increased confidence.

Jim Sumner
Chief Executive Officer 30 September 2010

Consolidated income statement for the six months ended 30 June 2010

	Notes	Unaudited Six month Period ended 30 June 2010 £'000	Unaudited Six month period ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Revenue		27,094	52,075	79,831
Cost of sales – non-exceptional		(24,166)	(48,363)	(73,270)
- exceptional		(200)	-	(2,236)
- total		(24,366)	(48,363)	(75,506)
Gross profit		2,728	3,712	4,325
Administrative expenses		(4,894)	(6,091)	(11,254)
Amortisation of intangibles		(86)	(86)	(173)
Loss from operations		(2,252)	(2,465)	(7,102)
Restructuring and other exceptional costs	2	(310)	(1,309)	(4,648)
Finance income		-	-	(303)
Finance costs		(137)	(139)	41
Loss for the period from continuing operations	4	(2,699)	(3,913)	(12,012)
Loss on ordinary activities before taxation		(2,699)	(3,913)	(12,012)
Taxation			-	
Profit attributable to the equity holders of the parent company		(2,699)	(3,913)	(12,012)
Earnings/(loss) per ordinary share :				
- From continuing operations after exceptional items (basic and diluted)		(1.0)p	(3.6)p	(8.4)p
- From continuing operations before exceptional items (basic and diluted)		(0.8)p	(2.4)p	(3.6)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 2010

	Unaudited As at 30 June 2010 £'000	Unaudited As at 30 June 2009 Restated £'000	Audited As at 31 December 2009 £'000
Non-current assets			
Goodwill	8,574	8,574	8,574
Other intangible assets	4,063	3,779	3,953
Property, plant & equipment	3,178	7,133	3,680
	15,815	19,486	16,207
Current assets			
Inventories	6,086	11,391	7,175
Trade and other receivables	4,317	10,463	4,456
	10,403	21,854	11,631
Asset held for resale	2,400	-	2,400
Total assets	28,618	41,340	30,238
Current liabilities			
Trade and other payables	14,109	21,851	14,198
Bank loans and overdrafts	3,088	3,008	2,301
Current provisions	1,135	1,387	1,958
Obligations under finance leases	32	34	35
	18,364	26,280	18,492
Non current liabilities			
Bank loans	4,546	7,510	5,287
Deferred tax liabilities	-	256	-
Provisions	2,159	2,684	2,247
Obligations under finance leases	30	21	44
	6,735	10,471	7,578
Total liabilities	25,099	36,751	26,070
Net Assets	3,519	4,589	4,168
Equity			
Called up share capital	2,694	1,084	2,324
Share premium	24,300	15,798	22,620
Share based payment reserve	27	-	27
Merger reserve	5,542	5,542	5,542
Retained loss	(29,044)	(17,835)	(26,345)
Total equity attributable to equity holders of the parent	3,519	4,589	4,168

Consolidated Statement of Changes in Equity for the six month period ended 30 June 2010 (Unaudited)

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2010	2,324	22,620	5,569	(26,345)	4,168
Loss for the period	-	-	-	(2,699)	(2,699)
Total comprehensive income for the period	-	-	-	(2,699)	(2,699)
Issue of shares	370	1,680	-	-	2,050
Total transactions with owners in their capacity as owners;-	370	1,680	-	-	2,050
Balance at 30 June 2010	2,694	24,300	5,569	(29,044)	3,519

Consolidated cash flow statement for the six month period ended 30 June 2010

	Unaudited Six month period ended 30 June 2010 £'000	Unaudited Six month period ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
Operating activities			
Loss before tax	(2,699)	(3,914)	(12,012)
Depreciation and amortisation	632	619	2,460
Impairment of goodwill	-	-	27
Net finance expense	137	139	262
Loss on disposal of fixed assets	-	-	(23)
Operating cash flows before movements in working capital	(1,929)	(3,156)	(9,286)
Movement in inventories	1,089	4,657	9,045
Movement in trade and other receivables	139	(652)	5,354
Movement in trade and other payables	(90)	644	(6,974)
Movement in provisions	(928)	(1,775)	(2,342)
Cash absorbed by operations	(1,719)	(282)	(4,203)
Interest received	-	-	41
Interest paid	(137)	(139)	(303)
Net cash flow from operating activities	(1,857)	(421)	(4,465)
Investing activities			
Purchase of property, plant and equipment	(45)	(216)	(1,065)
Purchased intangible assets	(197)	(539)	(800)
Net cash flow from investing activities	(241)	(755)	(1,865)
Financing activities			
Loan repayments	(741)	(996)	(1,715)
Proceeds from issuance of ordinary shares	2,051	-	8,062
Net cash flow from financing activities	1,310	(996)	6,347
Net decrease in cash and cash equivalents	(788)	(2,172)	17
Cash and cash equivalents at the beginning of the period	(819)	(836)	(836)
Cash and cash equivalents at the end of the period	(1,607)	(3,008)	(819)

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 2010 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 2009 and those which are expected to be adopted in the 31 December 2010 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 2009 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 29 September 2009.

2. Exceptional costs

Exceptional costs incurred in the period totalled £510,000 comprising £200,000 disruption due to supplier insolvency and £310,000 due to redundancy and reorganisations costs (2009: £1,309,000 comprising £910,000 in respect of redundancies, £272,000 of additional costs in respect of onerous contracts, £127,000 in respect of the termination of an exclusive distributorship agreement).

3. Principal risks and uncertainties for the six months ending 30 June 2010

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 2009 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. 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 securities in existence during the period and so basic and diluted earnings per share are identical.

	Unaudited Six month period ended 30 June 2010	Unaudited Six month period ended 30 June 2009	Audited Year ended 31 December 2009
Loss for the period for the purposes of basic earnings per share (£000)	(2,699)	(3,914)	(11,984)
Weighted average number of shares ('000)	264,111	108,460	142,760
Basic and diluted loss per ordinary share (pence per share)	(1.0)p	(3.6)p	(8.4)p
Retained loss for the period from before exceptional costs (£000)	(2,189)	(2,605)	(5,100)
Weighted average number of shares ('000)	264,111	108,460	142,760
Basic and diluted loss before exceptional items per ordinary share (pence per share)	(0.8)p	(2.4)p	(3.6)p