

eco city vehilces plc

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

Eco City Vehicles plc ("the Company" or "the Group", AIM: ECV.L) announces its interim results for the six months ended 30 June 2008.

Introduction

During the half year to June we were delighted to introduce the new Mercedes Benz Vito Taxi to the London market place. The vehicle received a very good reception and the Group's exclusive distribution rights with Mercedes Benz give it an excellent advantage in the London taxi market.

Nevertheless, the tough economic environment we have seen this year has resulted in challenging trading conditions during 2008, including the period under review. These conditions impacted on sales for both new and used taxis, particularly in the second quarter.

In addition, in that second quarter, strong rumours started circulating in the trade that Mercedes-Benz was about to launch a new taxi for the London market. While this was excellent news for the Group in terms of preparing the market for the launch of the Vito Taxi it did have the effect of further reducing the demand for the Group's traditional cab offering whilst this uncertainty prevailed.

The remainder of the Group's operating divisions performed satisfactorily or ahead of management expectations.

These conditions contrast sharply with 2007 when an exceptionally favorable trading background enabled the Group to achieve record sales and profits.

Although the current year shows a significant reduction against 2007 this result was within the Boards expectations and the Group's performance remains robust and prospects are encouraging with after sales profitability remaining stable and the introduction of new product lines leading the Board to expect improved revenues in the second half.

New Taxis

The Group launched the new Mercedes Vito Taxi into London during very tough trading conditions. Despite this the order-take at the launch in Battersea Park at the end of June exceeded all expectations as well as ending the speculation that had prevailed over the past months.

In the period since the launch, the Vito Taxi has been received well by the London taxi community. Drivers have reported favourably on its specification, performance and fuel economy and the response from passengers has also been positive.

In addition other UK metropolitan areas that use taxis in accordance with the London regulations have showed significant levels of interest in the vehicle.

The welcome introduction of the Vito Taxi did not have an impact on first half results coming as it did at the end of the period. Revenue for the six months to June 2008 was down by 63% to £5,092k from £13,910k for the same period last year. Gross profit was down 68% to £390k from £1,223k.

Adverse comparisons with the prior period are enhanced by the fact that 2007 delivered record new taxi sales. This resulted from pent up demand for the new London Taxi International TX4 model which was successfully launched in October 2006.

Second Hand and Trade Taxis

The market for second hand taxis became difficult in the first half of 2008 again because of market conditions, and the rumors regarding the Vito Taxi. The rumors of the Vito Taxi also fuelled speculation on the worth of second-hand stock values and especially on what impact it would have on trade-in vehicles.

Revenue for the six months to June 2008 was down by 62% to £1,067k from £2,815k for the same period last year. Gross profit remained close to break even at £(5k) compared to £(25k) for the previous period.

Used stock values increased by 12% from £699k to £780k and so remain significantly higher than in previous years. Anticipating reduced sales due to the economy and the introduction of the Vito Taxi, and in view of the high stock of used taxis, the Directors recognised the risk of values falling and therefore substantially increased the provision against used stock values from 4.5% to 42% in last year's accounts. As a result the Directors do not envisage a downward pressure on profits in 2008 through reducing stock values.

Parts and Accessories

Despite the climate, the parts and accessory sales division fared well in the first half of the year increasing revenue for the six months to June 2008 by 17% to £1,827k from £1,566k for the same period last year. The gross profit fell slightly from 347k to 343k due to pressure on margins.

After Sales (Servicing & Repairs)

The Company's after-sales divisions have experienced a small reduction in revenue, down 10% for the six months to June 2008 to £2,121k from £2,453k for the same period last year. Gross profit was down only marginally by 2% at £1,349k from £1,374k due to a reduction in direct costs.

Transmedia

Transmedia are licensed to sell the Cabvision system which is a Public Carriage Office approved in-cab TV medium. There is no other media solution in London that can boast the ability to deliver one to one communication to a captive audience in a London Taxi. Cabvision offers advertisers the opportunity to target around 1.4 million ABC1 consumers each month. The system also provides verifiable audience viewing statistics, a unique feature for an outdoor advertising medium.

Transmedia were awarded the licence to manage the Cabvision system in October 2007 and the restructuring of the business achieved at this time has resulted in a reduced cost of sales profile and a substantial reduction in overheads.

However whilst the division is considered by the Directors to be a non core business, its unique nature establishes it as a business with significant opportunities for development and expansion.

Recent discussions with potential advertisers have been encouraging and repeat business with blue chip clients has been achieved. Reduction of the cost base has now given the Group the opportunity to critically evaluate the short to medium term potential of the business.

Eco Vehicles

In line with the Group's strategy to become one of London's leading suppliers of environmentally friendly vehicles, we are pleased to announce that our first series hybrid Mitsubishi 3.5 ton truck will be delivered by the end of the year. We expect this to be quickly followed by a 7.5 ton version using the same technology.

The series hybrid uses electric motors for propulsion. The batteries are charged in the normal way whilst the vehicle is static and, when required, by an onboard generator which can be powered by the fuel choice (Petrol or LPG) of the customer when the vehicle is being driven.

This system has two significant advantages. Firstly it gives the vehicle the ability to travel an unlimited distance, overcoming the significant range restrictions associated with a vehicle powered purely by batteries. Secondly it has environmental advantages over the traditional hybrid configuration since it has the ability to run on battery power alone whilst traveling in a city emission control zone.

The Directors research into the series hybrid configuration has revealed its commercial potential. The Group has a number of prospective customers who are excited by this type of conversion since they see it as a vehicle with attractive environmental qualities that is nevertheless capable of meeting their operational requirements.

Outlook

A difficult market is likely to persist as the economic environment looks set to remain unchanged for the remainder of the year. However, the Directors are encouraged by the prospects for the new Mercedes Vito Taxi and the other new products which they intend to introduce in the future.

In addition to the recovery of sales volume through the introduction of new product lines, further confidence is drawn from the fact that the Group is no longer reliant on just one product or market sector.

The new Vito Taxi developed in partnership with Mercedes Benz has enabled the Group to establish its valuable and significant partner status with Mercedes Benz. The Directors believe that this will enable the Group to expand on joint opportunities not only within the London taxi market, but also within other areas, in particular prospects arising in the environmentally friendly sector.

The Directors also anticipate establishing a similar partnership status with Mitsubishi as it continues to work with them on creating environmentally friendly trucks. The Directors expect that the partner status would bring additional revenue into the Company through vehicle sales, servicing and parts distribution.

The Group's full year results will include sales of the Vito Taxi as deliveries did not commence until after the end of the first half period. Sales of the TX4 and second hand taxis are also showing signs of improvement now the market place has stabilised. The Directors therefore look forward to the second half of the year with cautious optimism.

Financial Highlights

Six months ended 30th June

	As at 30 June 2008 £000	As at 30 June 2007 £000
Revenue		
New taxis	5,092	13,910
Second hand and trade taxis	1,067	2,815
Parts and accessories	1,767	1,508
Servicing and repairs	2,121	2,313
Misc	123	0
	<u>10,170</u>	<u>20,546</u>
Operating (loss)/profit	(593)	1,199
(Loss) / profit before tax	(667)	1,281
Basic earnings per share	(0.26)	0.51

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Consolidated Income Statement (unaudited)

	6 months ended 30 June 2008 £000	6 months ended 30 June 2007 £000	15 months ended 31 December 2007 £000
Revenue	10,170	20,546	41,893
Cost of sales	(8,263)	(17,627)	(35,805)
Gross profit	1,907	2,919	6,088
Administrative expenses	(2,588)	(2,236)	(10,155)
Other operating income	88	516	1,129
Operating loss	(593)	1,199	(2,938)
Operating (loss)/profit, analysed as:			
Before exceptional items	(593)	1,199	1,044
Amounts receivable from Cabvision Limited written off	-	-	(2,372)
Deemed reverse acquisition cost	-	-	(845)
Flotation costs and associated costs including abortive costs	-	-	(765)
Operating loss after exceptional items	(593)	1,199	(2,938)
Finance income	(31)	100	389
Finance costs	(43)	(18)	(135)
Loss before tax	(667)	1,281	(2,684)
Tax	-	-	(6)
Loss for the period attributable to shareholders	(667)	1,281	(2,690)
Loss per share	Pence	Pence	Pence
Basic and diluted	(0.26)	0.51	(1.07)

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Consolidated Balance Sheet (unaudited)

	As at 30 June 2008 £000	As at 30 June 2007 £000	As at 31 2007 £000
Non current assets			
Property, plant and equipment	2,624	427	2,516
Investments	1,200	402	955
	<u>3,824</u>	<u>829</u>	<u>3,471</u>
Current assets			
Inventories	2,901	1,289	2,527
Trade and other receivables	1,590	2,667	1,916
Cash at bank and in hand	48	1,969	1,262
	<u>4,539</u>	<u>5,925</u>	<u>5,705</u>
Total assets	<u>8,363</u>	<u>6,754</u>	<u>9,176</u>
Current liabilities			
Current portion of long term borrowings	(36)	(65)	(61)
Trade and other payables	(4,274)	(2,756)	(6,489)
	<u>(4,310)</u>	<u>(2,821)</u>	<u>(6,550)</u>
Non current liabilities			
Long term borrowings	(2,102)	(37)	(8)
Deferred tax liability	(34)	(28)	(34)
	<u>(2,136)</u>	<u>(65)</u>	<u>(42)</u>
Total liabilities	<u>(6,446)</u>	<u>(2,886)</u>	<u>(6,592)</u>
Net assets	<u>1,917</u>	<u>3,868</u>	<u>2,584</u>
Equity			
Share capital	3,021	101	3,021
Share premium	1,922	-	1,922
Reverse acquisition reserve	(1,710)	-	(1,709)
Retained (deficit)/earnings	(1,316)	3,767	(650)
Total shareholders equity	<u>1,917</u>	<u>3,868</u>	<u>2,584</u>

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Consolidated Cash Flow Statement (unaudited)

	6 months ended 30 June 2008 £000	Year ended 31 December 2007 £000
Operating activities		
Operating loss	(593)	(2,938)
Deemed reverse acquisition cost	-	845
Depreciation	48	131
Share based payments	-	3
Impairment of cash investments	-	-
Decrease/(increase) in receivables	485	247
Increase/(decrease) in payables	(2,374)	3,895
(Increase)/decrease in inventories	(375)	(1,428)
Profit on disposal of property, plant and equipment	11	(1)
Taxes paid	-	-
Net cash generated by operating activities	(2,798)	754
Investing activities		
Interest received	(31)	389
Purchase of property, plant and equipment	(166)	(2,280)
Proceeds from sale of property, plant and equipment	-	63
Acquisition of parent through reverse acquisition, net cash generated	-	2,339
Equity investments	(245)	(955)
Net cash (used in)/generated by investing activities	(442)	(444)
Financing activities		
Dividends paid	-	(300)
Mortgage on coventry Property	2,101	-
Interest paid	(43)	(135)
Movement in obligations under finance leases	(32)	(116)
Net cash used in financing activities	2,026	(551)
Net (decrease)/increase in cash and cash equivalents	(1,214)	(241)
Cash and cash equivalents at beginning of period	1,262	1,503
Cash and cash equivalents at end of period	48	1,262