

29 September 2009

Eco City Vehicles PLC
 (“Eco City”, “ECV” or “the Group”)

Results for the six months to 30 June 2009

Eco City Vehicles PLC, a developer and supplier of eco-friendly commercial vehicles and the London licensed taxi, announces its interim results to 30 June 2009.

Financial and operating highlights

- Revenue increased 22% to £12.4m (H1 2008: £10.2m)
- Achieved operating profit from continuing operations of £0.02m (H1 2008: £0.58m loss)
- Loss before tax reduced to £0.1m (H1 2008: £0.7m)
- Strong growth in sales of new London licensed cabs, driven by robust demand for the ECV-developed Mercedes-Benz Vito taxi which outsold the old-style TX4 taxi by almost four-to-one
- Parts & Accessories division increased sales by 7%, offset by decline in repair & servicing revenues
- Launched 3.5 tonne hybrid Mitsubishi truck in UK, generating excellent market feedback from potential customers
- Ceased operating loss-making in-cab advertising licence, positioning Group for continued improvement in results for second half
- Sales of new Mercedes taxi continue to gain traction, accounting for 25% share of new London cab market since launch

Commenting on the results, Peter DaCosta, Chief Executive of Eco City, said: “Despite tough trading conditions, the Group made solid progress in the first half with a significant increase in revenues and a return to operating profits on a continuing basis. We also launched our first environmentally-friendly series hybrid 3.5 tonne truck, which is generating excellent feedback from potential customers.

“The results reflect rising demand for the ECV-developed new Mercedes-Benz taxi, which is rapidly gaining market share and has firmly established itself as the latest incarnation of one of London’s most widely recognised icons. The cab’s growing popularity is not only proof of its quality but also a terrific achievement for the Group and our partners. We are now actively considering stepping-up production of the Vito taxi at our Coventry site over the next few months.

“With sales of the new taxi continuing to gain traction while costs remain under tight control, the Board looks forward to the second half and the full year result with cautious optimism.”

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Introduction

Eco City Vehicles is pleased to report a significant improvement in its first half results with a strong increase in revenues and a return to operating profits on a continuing basis. Despite difficult market conditions across the automotive industry, Group revenues increased by 22% to £12.4m (H1 2009: £10.2m) driven by a continued ramp-up in sales of the Mercedes-Benz Vito, which was launched in June 2008, as the latest iteration of London's iconic "black cab".

The taxi was co-developed by the Group, our associate company One80 in partnership with the German auto giant, and is sold in London exclusively by KPM-UK Taxis, our wholly owned subsidiary, and assembled at the Company manufacturing facility in Coventry.

Helped by strong new taxi sales, the Group returned to an operating profit from continuing operations of £0.02m compared with a £0.58m loss in the corresponding period last year. The Group also took decisive action during the first half to reduce costs with the closure of its loss making in-cab advertising business, Transmedia, which incurred a £280,000 loss in the period. Excluding this loss, the Group would have made a profit before tax of £0.15m compared with a pre-tax loss of £0.33m for the same period last year.

Operational Review

New Taxis

Revenues from new taxi sales increased by 28% to £6.7m (H1 2008: £5.1m), principally due to the Group's success with the new Mercedes-Benz Vito taxi in the London market. This taxi, using our patented rear wheel steering technology, was co-developed by the Group, our associate company one80, and Mercedes-Benz. The taxi is becoming an increasingly familiar sight on London's streets as its benefits become evident to taxi drivers and passengers alike. The Group sold 196 new Vito taxis in the first half, gaining a 25% share of the sales of new London taxi cabs, taking the total number sold since launch to more than 400.

Sales of the new taxi continue to gain momentum leading to an increasing market share with September's performance the strongest to date.

The Group has also seen sales of the taxi in Coventry, Reading, Manchester, Trafford, Swindon and Milton Keynes, while the licensing authorities in Peterborough, Cambridge, Southampton, Birmingham and Maidstone, have now given approval. The Group appointed agents to sell the Vito taxi in the Midlands, the North West, Scotland, and the South Coast with sales commencing in the second half of 2009. Eco City will be expanding its own operations to the eastern part of England encompassing Luton, Peterborough, Norwich, Southend and Basildon.

Key benefits, as reported by taxi drivers of the Mercedes Vito taxi include:

- ◆ Better fuel economy
- ◆ Lower emissions
- ◆ More space and comfort with air conditioning for driver and passengers
- ◆ Six passenger seats instead of five

As a result, an increasing number of passengers are now specifically requesting the Vito when booking cabs and are also opting for the Vito for longer journeys, often in preference to private hire vehicles. The Group believes the Mercedes Vito taxi has considerable long term potential to gain share as the existing fleet of traditional London cab comes up for replacement. According to independent estimates, just under 15,000 of London's existing fleets were first registered in 2005 or before.

Following the excellent progress made by the Vito taxi, the Group is building an increasingly close relationship with Mercedes-Benz and will be looking to exploit further opportunities to produce an environmentally-friendly Vito taxi in 2010. With growing interest ahead of the 2012 Olympic Games in the greater use of all kinds of environmentally friendly vehicles in London, the Group is well positioned to take advantages of emerging opportunities.

Export potential

Following its successful Vito launch in London the Group has had numerous enquiries from many overseas operators. Eco City is presently showing the vehicle at the Frankfurt Motor Show at the request of Mercedes-Benz following an approach by the German Taxi Association. The Association has 6000 members, many of whom are interested in the vehicle because of its wheelchair accessibility and six seats.

LTI taxis

By contrast with the strong progress of the Vito, the Group saw sluggish sales of the old-style LTI TX-4 black cab with only 54 sold in the first half of 2009 despite substantial price discounting. As announced previously, the Group received a one-year notice from LTI terminating the dealership which has been operated by the Group since 1989. The notice cited that since the publication of their 2008 annual report they had continued to experience a significant downturn in vehicle sales and margins in all markets across their UK operations and that their business was unprofitable and unsustainable in its current structure, therefore it was necessary for LTI to wholly reorganise the dealer network.

As such, the Group will cease to sell new LTI taxis from 17 July 2010 although it will continue to sell used LTI taxis and provide after-sales service to these taxis after this date.. Eco City had anticipated this course of action by LTI since late 2008 following the successful launch of the Vito and planned for the LTI taxis to become a diminishing part of the Group's business. As part of ECV's expansion for the UK, the Group and one80 are in advanced discussions with several former LTI dealers wishing to sell the Vito. This follows an increasing level of sales enquiries regarding the Vito from the rest of the UK over the past year.

Used taxis

The second-hand market experienced some recovery from the very poor trading conditions that prevailed in 2008 when speculation in the trade about the impact of the introduction of a new model on the value of second-hand cabs led to a sharp drop in demand.

With the help of carefully structured pricing and strong marketing, sales of second-hand taxis recovered in the first half of 2009. This has enabled the Group to reduce its stocks significantly during this period. Margins on second-hand cabs however, remain tight.

The provisions made at 31 December 2008 made against the value of the Group's second-hand stocks mean that no further write downs should be needed this year.

Parts, Accessories and After-Sales

The parts and accessory sales division performed well during the first half of the year with a 7% increase in revenue from £1.8m to £1.9m. However, after-sales divisions (servicing and repairs) experienced a reduction in revenue of 17% to £1.7m in the first half from £2.1m in H1 2008, reflecting the lower mileage covered by most cab drivers in the face of reduced demand from passengers during the recession.

Transmedia Ltd

The Group's in-cab advertising business Transmedia Ltd incurred a £0.28m loss compared with a £0.34m loss in the same period last year due to continued severe downturn in the advertising market. The result was unsustainable and with no indication of the business achieving profit in the near future, Transmedia Ltd ceased operating the Cabvision licence in September 2009. The business operated the system under a license granted by Cabvision Ltd in October 2007. Excluding this loss, the Group would have made a profit before tax of £0.15m compared with a loss of £0.3m (after adjusting for Transmedia Ltd) for the same period last year.

Series hybrid trucks

The Group made good progress with its strategy to diversify into the market for environmentally-friendly commercial vehicles. In May 2009, the Group took delivery of the first series hybrid Mitsubishi 3.5 tonne truck under an exclusive distribution agreement with Italy's Veicoli Eco Metropolitan, a specialist in low-emission vehicle technology.

The terms of our agreement with Veicoli give ECV the opportunity and an option to manufacture and convert the vehicle in the UK.

The launch generated an encouraging level of interest from prospective customers and agreement has been reached for its import from the Italian company.

The Mitsubishi series hybrid truck uses electric motors for propulsion with a plug-in facility to charge the vehicle whilst stationary and an onboard generator while it is being driven. This system has two significant advantages. Firstly, it gives the vehicle an unlimited range, overcoming one of the disadvantages associated with electric vehicles. Secondly, it is able to run on battery power alone when travelling in emission-controlled zones.

Further details of the introduction of this vehicle, which will be followed by a 7.5 tonne version due in early 2010, will be announced in due course. Although the Mitsubishi truck will not contribute to profits in 2009, the Directors believe it represents a potentially valuable opportunity for the Group's future development.

Balance sheet

The Group traded within its borrowing facilities during the period and continues to monitor its cashflow in accordance with its banking covenants. The Group has a good working relationship with the Bank of Scotland and expects to renew its overdraft facility with the bank in November 2009.

Outlook

Despite an uncertain economic climate, prospects for the Group in the core London taxi market for the remainder of 2009 are encouraging as sales of the Mercedes Vito taxi continue to gain traction. While overall group margins remain under pressure, the Group's return to operating profitability on a continuing basis has also positioned it to take advantage of any upturn in economic conditions over the medium term.

In response to further inroads being made by the new Mercedes Vito taxi, the Group is also considering increasing production at its Coventry facility over the next few months should trading conditions continue to improve. As a result, the Directors look to the second half and full year results with cautious optimism.

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Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

	6 Months ended 30 June 2009 £000	Year ended 31 December 2008 £000	6 Months ended 30 June 2008 £000
Revenue	12,396	19,345	10,170
Cost of sales	(10,456)	(15,593)	(8,263)
Gross profit	1,940	3,752	1,907
Administrative expenses	(2,263)	(5,216)	(2,588)
Other operating income	66	318	88
Operating loss	(257)	(1,146)	(593)
Operating (loss)/profit, analysed as:			
Continuing operations	23	(582)	(254)
Loss attributable to Cabvision licence	(280)	(564)	(339)
Operating loss after exceptional items	(257)	(1,146)	(593)
Finance income	204	316	(31)
Finance costs	(96)	(347)	(43)
Profit/(loss) attributable to associate company	18	(90)	-
Loss before taxation	(131)	(1,267)	(667)
Taxation	-	20	-
Loss for the period	(131)	(1,247)	(667)
Other comprehensive income			
Other comprehensive income	-	-	-
Total comprehensive loss for the period	(131)	(1,247)	(667)
Loss per share	Pence	Pence	Pence
Basic and diluted	(0.04)	(0.41)	(0.26)

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Unaudited Condensed Consolidated Interim Statement of Financial Position

	As at 30 June 2009 £000	As at 31 December 2008 £000	As at 30 June 2008 £000
Non current assets			
Property, plant and equipment	2,687	2,837	2,624
Investments	1,128	1,110	1,200
	3,815	3,947	3,824
Current assets			
Inventories	3,556	4,228	2,901
Trade and other receivables	3,822	2,148	1,590
Cash at bank and in hand	-	47	48
	7,378	6,423	4,539
Total assets	11,193	10,370	8,363
Current liabilities			
Borrowings	(2,077)	(2,129)	(36)
Trade and other payables	(7,853)	(6,867)	(4,274)
	(9,930)	(8,996)	(4,310)
Non current liabilities			
Borrowings	(29)	(9)	(2,102)
Deferred tax liability	(14)	(14)	(34)
	(43)	(23)	(2,136)
Total liabilities	(9,973)	(9,019)	(6,446)
Net assets	1,220	1,351	1,917
Equity			
Share capital	3,021	3,021	3,021
Share premium	1,922	1,922	1,922
Share based payment reserve	17	17	-
Reverse acquisition reserve	(1,709)	(1,709)	(1,710)
Retained deficit	(2,031)	(1,900)	(1,316)
Total shareholders equity	1,220	1,351	1,917

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Unaudited Condensed Consolidated Interim Statement of Cash Flows

	6 Months ended 30 June 2009 £000	Year ended 31 December 2008 £000	6 Months ended 30 June 2008 £000
Operating activities			
Loss before tax	(131)	(1,267)	(593)
Profit/(loss) attributable to associate company	(18)	90	-
Finance costs	96	347	-
Finance Income	(204)	(316)	-
Depreciation	74	185	48
Share based payments	-	14	-
(Increase)/decrease in trade and other receivables	(1,674)	(232)	485
Increase/(decrease) in trade and other payables	990	(603)	(2,374)
Decrease/(increase) in inventories	672	(1,701)	(375)
Profit on disposal of property, plant and equipment	-	-	11
Net cash used in operating activities	(195)	(3,483)	(2,798)
Investing activities			
Interest received	204	316	(31)
Purchase of property, plant and equipment	(139)	(577)	(166)
Proceeds from sale of property, plant and equipment	215	71	-
Purchase of equity investments	-	(245)	(245)
Net cash generated by/(used in) by investing activities	280	(435)	(442)
Financing activities			
Interest paid	(96)	(347)	(43)
Repayments of mortgages	(75)	(119)	-
Proceeds from mortgages	-	2,150	2,101
Repayments of finance leases	(26)	(61)	(32)
Proceeds from finance leases	50	99	-
Net cash (used in)/generated by financing activities	(147)	1,722	2,026
Net decrease in cash and cash equivalents	(62)	(2,196)	(1,214)
Cash and cash equivalents at beginning of period	(934)	1,262	1,262
Cash and cash equivalents at end of period	(996)	(934)	48

Notes to the Unaudited Condensed Consolidated Interim Report

For the six months ended 30 June 2009

1. General Information

eco city vehicles plc is a company incorporated in the United Kingdom and listed on the AIM market. The address of the registered office is Hemming House, Hemming Street, London, E1 5BL.

The Group is engaged in the sale and service of new and used taxicabs to owner operators of licensed taxis in London and the provision of related services and the sale and service of low emissions vehicles to business users. During the interim period the Group continued to operate from a single site in East London from where it conducted all operations. The premises in Coventry is partially sublet to two tenants, with the remaining area to be used to facilitate geographic expansion.

This unaudited condensed consolidated interim report is presented in British Pounds Sterling, the currency of the primary economic environment in which the Group operates. The Group comprises eco city vehicles plc and its subsidiary and associates companies as set out in the Note 3 of the Parent Company's financial statements, for the year ended 31 December 2008.

This unaudited condensed consolidated interim report does not constitute statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2008 has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditors report on those accounts was unqualified and did not contain a statement under Section 237(3) of the Companies Act 1985.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Acts applicable to companies preparing their financial statements under IFRS. Practice is continuing to evolve on the application and interpretations of IFRS. Further standards may be issued by the International Accounting Standards (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by IFRIC.

The financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense.

The preparation of financial statements, in conformity with general accepted accounting principles under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.