UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

AUSTRO GROUP LIMITED

AUSTRO GROUP LIMITED (Incorporated in the Republic of South Africa) (Registration number 2001/029771/06) Share code: ASO ISIN: ZAE000090882 ("company" or "the Group")

SUMMARY

Revenue	Headline loss per share	Net asset value per share
R194,2 million	**(3,4 cents)**	**93,3 cents**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 29 February 2012 R'000	Unaudited For the six months ended 28 February 2011 R'000	Audited For the twelve months ended 31 August 2011 R'000
Revenue	**194 205**	202 780	387 102
Cost of sales	**(127 322)**	(128 382)	(258 271)
Gross profit	**66 883**	74 398	128 831
Other operating income	**1 948**	1 023	1 877
Net operating expenses	**(75 437)**	(75 523)	(133 479)
Onerous lease expense effect	**(8 976)**	–	–
Operating expenses excluding onerous lease effect	**(66 461)**	(75 523)	(133 479)
Loss from operations before impairment of goodwill	**(6 606)**	(102)	(2 771)
Impairment of goodwill	**(134 197)**	–	–
Loss from operations before interest and taxation	**(140 803)**	(102)	(2 771)
Net interest received	**1 455**	1 950	2 862
Interest received	**3 224**	4 327	6 804
Interest paid	**(1 769)**	(2 377)	(3 942)
(Loss)/profit before taxation	**(139 348)**	1 848	91
Taxation (expense)/income	**(8 250)**	2 727	6 348
Total comprehensive (loss)/income for the period	**(147 598)**	4 575	6 439
Attributable to:			
Owners of Austro Group Limited	**(147 437)**	4 575	6 439
Non-controlling interest in subsidiary	**(161)**	–	–
Total comprehensive (loss)/income for the period	**(147 598)**	4 575	6 439

	Unaudited For the six months ended 29 February 2012	Unaudited For the six months ended 28 February 2011	Audited For the twelve months ended 31 August 2011
Numbers of shares in issue	**395 693 678**	429 890 361	395 693 678
Weighted average number of shares	**395 295 125**	431 321 312	419 758 013
(Loss)/earnings per share and diluted (loss)/earnings per share (cents)	**(37,3)**	1,1	1,5
Headline (loss)/earnings per share and diluted headline (loss)/earnings per share (cents)	**(3,4)**	1,1	1,6
Dividend per share (cents)	**–**	2,0	2,0
Capital distribution declared out of share premium (cents)	**–**	–	2,0
Reconciliation of (loss)/income to headline (loss)/earnings:			
Total comprehensive (loss)/income for the period	**(147 437)**	4 575	6 439
Net (profit)/loss on disposal of plant and equipment	**(99)**	230	239
Impairment of goodwill	**134 197**	–	–
Tax effect thereof	**14**	(32)	(33)
Headline (loss)/earnings	**(13 325)**	4 773	6 645

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 29 February 2012 R'000	Unaudited As at 28 February 2011 R'000	Audited As at 31 August 2011 2011 R'000
ASSETS			
Non-current assets	**138 986**	272 908	276 959
Plant and equipment	**38 300**	39 283	38 018
Loans receivable	**–**	–	482
Goodwill	**95 544**	229 742	229 742
Deferred taxation	**5 142**	3 883	8 717
Current assets	**312 255**	316 793	304 347
Inventories	**205 905**	202 325	177 869
Trade and other receivables	**86 101**	68 219	76 025
Taxation receivable	**591**	5	1 465
Cash and cash equivalents	**19 658**	46 244	48 988
Total assets	**451 241**	589 701	581 306
EQUITY AND LIABILITIES			
Capital and reserves	**369 306**	540 875	517 110
Share capital	**4**	4	4
Share premium	**295 491**	321 326	295 697
Non-controlling interest in subsidiary	**(161)**	–	–
Accumulated profits	**73 972**	219 545	221 409
Non-current liabilities	**287**	607	–
Deferred taxation	**287**	607	–
Current liabilities	**81 649**	48 219	64 196
Current portion of long-term liabilities – interest free	**–**	3 426	3 426
Trade and other payables	**67 504**	44 152	60 662
Provision for onerous lease	**13 587**	–	–
Taxation payable	**557**	641	108
Total equity and liabilities	**451 241**	589 701	581 306
Net asset value per share (cents)	**93,3**	125,8	130,7
Tangible net asset value per share (cents)	**69,2**	72,4	72,6

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited As at 29 February 2012 R'000	Unaudited As at 28 February 2011 R'000	Audited As at 31 August 2011 R'000
Cash (outflows)/inflows from operating activities	**(22 021)**	33 662	65 980
Cash (utilised)/generated by operations	**(20 411)**	44 639	79 859
Interest received	**3 224**	4 327	6 804
Interest paid	**(1 769)**	(2 377)	(3 942)
Dividends paid	**–**	(8 628)	(8 628)
Taxation paid	**(3 065)**	(4 299)	(8 113)
Cash outflows from investing activities	**(3 678)**	(338)	(4 282)
Cash outflows from financing activities	**(3 631)**	(4 202)	(29 832)
Net (decrease)/increase in cash and cash equivalents	**(29 330)**	29 122	31 866
Cash and cash equivalents at beginning of period	**48 988**	17 122	17 122
Cash and cash equivalents at end of period	**19 658**	46 244	48 988

CONDENSED SEGMENTAL ANALYSIS

	Unaudited For the six months ended 29 February 2012 R'000	Unaudited For the six months ended 28 February 2011 R'000	Audited For the twelve months ended 31 August 2011 R'000
Revenue (external)			
Power	**123 075**	138 803	250 904
Gross	**123 075**	139 041	251 199
Inter-segment	**–**	(238)	(295)
Wood	**71 130**	63 977	136 198
Gross	**71 130**	63 977	136 198
Total	**194 205**	202 780	387 102
(Loss)/profit before tax			
Power	**(79 049)**	2 639	9 175
Gross	**(79 049)**	2 877	9 470
Inter-segment	**–**	(238)	(295)
Wood	**(60 299)**	(791)	(9 084)
Gross	**(60 299)**	(791)	(9 084)
Total	**(139 348)**	1 848	91
Depreciation	**3 977**	4 648	9 140
Power	**2 096**	2 694	5 372
Wood	**1 881**	1 954	3 768
Profit/(loss) on disposal of plant and equipment	**99**	(230)	(239)
Power	**61**	(282)	(284)
Wood	**38**	52	45
Onerous lease expense effect	**(8 976)**	–	–
Wood	**(8 976)**	–	–
Impairment of goodwill	**(134 197)**	–	–
Power	**(97 075)**	–	–
Wood	**(37 122)**	–	–
Interest received	**3 224**	4 327	6 804
Power	**1 628**	2 966	3 919
Wood	**1 596**	1 361	2 885
Interest paid	**(1 769)**	(2 377)	(3 942)
Power	**(338)**	(636)	(857)
Wood	**(1 431)**	(1 741)	(3 085)
Taxation (expense)/income	**(8 250)**	2 727	6 348
Power	**(5 311)**	730	620
Wood	**(2 939)**	1 997	5 728
Capital and reserves			
Power	**340 329**	441 828	427 171
Assets	**383 879**	469 121	463 749
Liabilities	**(43 550)**	(27 293)	(36 578)
Wood	**28 977**	99 047	89 939
Assets	**67 362**	120 579	117 557
Liabilities	**(38 385)**	(21 532)	(27 618)
Total	**369 306**	540 875	517 110
Additions to non-current assets	**4 662**	1 450	5 140
Power	**1 560**	1 226	3 997
Wood	**3 102**	224	1 143
Goodwill	**95 544**	229 742	229 742
Power	**95 544**	192 620	192 620
Wood	**–**	37 122	37 122

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited As at 29 February 2012 R'000	Unaudited As at 28 February 2011 R'000	Audited As at 31 August 2011 R'000
Share capital and share premium	**295 495**	321 330	295 701
Balance at beginning of period	**295 701**	322 107	322 107
Share premium reduction due to share buy back	**(206)**	(777)	(18 492)
Share premium reduction due to capital distribution declared out of share premium	**–**	–	(7 914)
Accumulated profits	**73 811**	219 545	221 409
Balance at beginning of period	**221 409**	223 598	223 598
Total comprehensive (loss)/income for period	**(147 437)**	4 575	6 439
Non-controlling interest in subsidiary	**(161)**	–	–
Dividends declared and paid	**–**	(8 628)	(8 628)
Total capital and reserves	**369 306**	540 875	517 110

COMMENTARY

INTRODUCTION

Austro Group Limited is listed in the "Industrial Engineering" sector and "Industrial Machinery" sub-sector of the JSE Limited. The Group supplies specialised and quality branded industrial equipment to corporate, commercial and infrastructure markets in South Africa and other African markets. The Group services clients ranging from heavy industrial, mining and construction groups to wholesalers, retailers and manufacturers.

The Group has two distinct and focused business offerings:
- the production, supply, installation and rental of generators and related components such as industrial engines, marine engines, alternators, switchgear and components, including the generator manufacture and supply industry; and
- the distribution of professional woodworking equipment and tooling.

Group structure (wholly-owned subsidiaries):
New Way Power (Pty) Limited ("Power") housing the energy and power-related interests of the Group.

Austro Wood (Pty) Limited ("Wood") housing the woodworking and related interests of the Group.

The core of these businesses has been in existence for over 30 years.

FINANCIAL REVIEW

Summary
Revenue for the interim period ended 29 February 2012 of R194,2 million decreased by 4,2% compared to the previous corresponding period of R202,8 million and the gross profit percentage decreased by 2,3 percentage points to 34,4% (2011: 36,7%).

The Group's interim results have been impacted negatively by the following items:

The Wood division provided for an onerous lease for one of its premises, the division moved out of the building and the premises has been sub-let. The pre-tax impact of the onerous lease provision is a net present value of R13,6 million and has been softened by the reversal of the lease smoothing accrual of R4,6 million relating to the premises, with a net pre-tax expense effect of R9 million.

In accordance with IAS 36 (Impairment of Assets), the Group tests goodwill for impairment. This is based on cash forecasts for the next five years which are based on the cash-generating units' results and on management forecasts. The forecasted revenue growth decreased due to lower actual results and the economic outlook. The valuation resulted in the impairment of R134,2 million (58,4%) of the Group's goodwill of R229,7 million.

The goodwill valuation for the Power cash-generating unit resulted in an impairment of R97,1 million (50,4%) of the goodwill balance of R192,6 million as at 28 February 2011, and 100% of the Wood goodwill balance of R37,1 million as at 28 February 2011 was impaired.

The Group made a profit of R2,4 million before tax, interest, goodwill impairment and the onerous lease expense effect, which is an improvement compared to the last comparable period's loss of R0,1 million.

Consolidated statements of comprehensive income
The decrease in revenue of 4,2% is due to Power's revenue contracting because of challenging market conditions. The division is targeting markets in Africa to improve this situation, but the planned growth has not yet materialised. The Wood division's increase in revenue is as a result of an increase in market share in Southern Africa and the division's initiated expansion into Africa.

The Power division's revenue is now 63,4% of total revenue (2011: 68,5%).

The Wood division's revenue is now 36,6% of total revenue (2011: 31,5%).

The increase in other operating income of 90,4% is mainly due to the increase in agency commission generated from the Wood division.

Consolidated statements of financial position
The Group's interest free long-term liability of R3,4 million has been paid, and the Group has R19,7 million cash and cash equivalents on hand.

The major contributor to the decrease in cash and cash equivalents of R26,5 million to R19,7 million (2011: R46,2 million) is the increase in inventory levels of R3,6 million mainly due to the edging businesses acquired and due to the Group buying back its own shares and the capital distribution paid to shareholders in July 2011.

Group inventory days increased from 288 to 295 days from the last comparable period and will improve again when the order book is converted to turnover.

POST-STATEMENT OF FINANCIAL POSITION

Restraint of trade application
A competitor of Wood filed an urgent restraint of trade application against the company, and management is confident that the application will not succeed.

Other than the abovementioned event, there have been no material events subsequent to the end of the interim period that have not been taken account of in the financial statements for the period.

ACQUISITION OF BUSINESSES

The Group acquired the businesses of Edgepro (Pty) Limited and EdgePro Natal (Pty) Limited, effective 1 September 2011. The JSE issued a ruling that these acquisitions did not need to be aggregated in terms of Section 9 of the Listings Requirements and, accordingly, no announcement was released on SENS. The principal assets acquired were inventory and no goodwill arose from these acquisitions. The total purchase consideration for these businesses was R10,03 million settled in cash. These acquisitions were made in support of Austro Wood's strategy, allowing the Wood division to supply edging to existing and new customers.

The acquisitions contributed R6,8 million in revenue from acquisition date up to 29 February 2012 for Wood and made a loss before taxation of R1 million.

OPERATING REVIEW

Power
The Power division's revenue has decreased by 11,3% to R123,07 million compared to the previous corresponding period (2011: R138,8 million) due to the planned growth in revenue to Africa not yet materialising.

Operating expenses decreased by 27,8% to R32,54 million compared to the previous corresponding period (2011: R45,07 million) and this is mainly due to the related cost-savings after relocating and integrating the Quad business into Power.

The higher tax expense for Power is due to a higher taxable income compared to the previous corresponding period.

Wood
The Wood division's revenue increased by 11,2% to R71,13 million compared to the previous corresponding period (2011: R63,98 million). This is due to an increase of market share. Management anticipates that Wood will continue to increase its market share in Southern Africa and has initiated expansion into Africa.

Operating expenses increased by 40,9% to R42,89 million (2011: R30,45 million), this is mainly due to the effect of the onerous lease expense and an increase in employee costs.

A deferred tax asset has not been raised on the taxable loss of the Wood division and this contributes to the higher tax expense compared to the previous corresponding period. The goodwill impairment is a non-taxable item and the onerous lease provision has been added back as a timing difference.

The inter-company loan of R55,5 million owed by Austro Wood (Pty) Limited to its holding company, Austro Group Limited as at 29 February 2012 has been subordinated in favour of all its other creditors.

PROSPECTS

The Southern African economic outlook for the industrial sector remains weak and poses a challenge for the Group. The management teams of the two divisions remain focused to grow revenue out of new African markets, to increase market share and deliver unrivalled customer service in the sectors in which the Group operates.

The management team of the Wood division has focused on expanding product offering into existing markets and deepening the penetration of the tooling and supply business unit into areas not previously covered.

CASH DISTRIBUTION

Shareholders are advised that no cash distribution has been declared.

BASIS OF PREPARATION

These unaudited condensed consolidated interim results were released on SENS on 24 May 2012 and published on 25 May 2012 and have been prepared by Tania le Roux (CA)SA, Acting Group Financial Director under the supervision of the Austro Group Limited Board.

The unaudited condensed consolidated interim results have been prepared in accordance with IAS 34 (Interim Financial Reporting), AC 500 series of interpretations. The accounting policies applied in preparing these interim financial statements are consistent with those applied in the prior year and are in accordance with International Financial Reporting Standards. This announcement was prepared in accordance with the Listings Requirements of the JSE Limited and with the requirements of the Companies Act of South Africa.

CHANGES TO THE BOARD OF DIRECTORS

Appointments: Tania le Roux (Acting, 1 January 2012).

Resignation: Philip Sigsworth (29 November 2011).

By order of the Board

AJ Phillips
Chairman

T le Roux
Acting Group Financial Director

Johannesburg
24 May 2012

Non-executive directors: AJ Phillips* (Chairman), DS Brouze, GS Nzalo*, U Schäckermann* (German) (* Independent)
Executive directors: JO Freed, JR Freed (Alternate to JO Freed), C Jacobs, T le Roux (Acting)
Registration number: 2001/029771/06
Business/Registered address: 1125 Leader Avenue, Stormill Ext 4, Roodepoort, Johannesburg
Business postal address: PO Box 1914, Florida, Johannesburg
Company secretary: Probity Business Services (Proprietary) Limited
Transfer secretaries: Computershare Investor Services (Proprietary) Limited
Sponsor: Java Capital

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