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

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2007

HIGHLIGHTS

Revenue increased by 58,7% to R279,0 million

Net profit for the year increased by 95,5% to R53,9 million

Headline earnings per share increased to 14,2 cents which exceeded the forecast of 10,5 cents by 35,2%

ACQUISITIONS
- New Way Motor and Diesel Engineering (Proprietary) Limited
- Gearing Moss Supplies (Proprietary) Limited
- Neptune Plant (Proprietary) Limited and Neptune Plant Hire (Proprietary) Limited

SUMMARISED INCOME STATEMENT

	Year ended 31 August 2007 R	Year ended 31 August 2006 R
Revenue	279 015 132	175 850 787
Cost of sales	(162 705 535)	(102 539 823)
Gross profit	116 309 597	73 310 964
Other operating income	9 364 728	9 382 590
Operating expenses	(52 404 991)	(42 060 742)
Profit from operations	73 269 334	40 632 812
Finance income	2 354 626	516 409
Finance expense	(92 000)	(484 220)
Profit before taxation	75 531 960	40 665 001
Taxation expense	(21 593 816)	(13 074 393)
Net profit for the year	53 938 144	27 590 608
Dividends declared	–	9 000 000
Number of shares in issue	377 500 610	308 261 400
Note 1		
Weighted average number of shares	335 074 120	308 261 400
Note 2		
Earnings per share (cents)	16,1	9,0
Reconciliation of headline earnings		
Net profit for the year	53 938 144	27 590 608
Net profit on disposal of property, plant and equipment	(6 403 511)	–
Headline earnings	47 534 633	27 590 608
Headline earnings per share (cents)	14,2	9,0

Note 1: Subsequent to year end, on 29 October 2007, 44 233 333 shares were issued as part of the purchase price in acquiring New Way Motor and Diesel Engineering (Proprietary) Limited and Gearing Moss Supplies (Proprietary) Limited.
Note 2: For comparative purpose the shares in issue in the prior period have been adjusted for the share split prior to listing, to provide more meaningful information.

SUMMARISED BALANCE SHEET

	At 31 August 2007 R	At 31 August 2006 R
Assets		
Non-current assets	219 843 385	30 360 498
Property, plant and equipment	18 426 324	19 460 814
Goodwill and other intangibles	201 417 061	10 899 684
Current assets	428 694 874	72 683 102
Inventories	159 983 771	35 402 419
Trade and other receivables	59 949 588	23 546 069
Cash resources	208 761 515	13 734 614
Total assets	648 538 259	103 043 600
Equity and liabilities		
Capital and reserves	387 799 823	19 721 242
Share capital and share premium	174 722 699	10
Shares to be issued	139 417 748	–
Accumulated profit	73 659 376	19 721 232
Non-current liability		
Deferred taxation	159 788	480 351
Current liabilities	260 578 648	82 842 007
Trade and other payables	104 543 020	40 796 908
Amount owing for purchase of subsidiaries	127 111 858	5 445 790
Shareholders for dividends	–	22 000 000
Taxation	28 923 770	14 599 309
Total equity and liabilities	648 538 259	103 043 600
Net asset value per share (cents)	92,0	6,4
Tangible net asset value per share (cents)	44,2	2,9

SUMMARISED CASH FLOW STATEMENT

	Year ended 31 August 2007 R	Year ended 31 August 2006 R
Cash flows from operating activities	(4 863 007)	17 374 169
Cash generated by operations	29 830 331	38 064 665
Finance income	2 354 626	516 409
Finance expense	(92 000)	(484 220)
Dividends received	1 189	–
Dividends paid	(22 000 000)	(10 000 000)
Taxation paid	(14 957 153)	(10 722 685)
Cash flows from investing activities	26 835 159	(3 552 425)
Cash flows from financing activities	173 054 749	(10 715 394)
Net increase in cash resources	195 026 901	3 106 350
Cash resources at beginning of year	13 734 614	10 628 264
Cash resources at end of year	208 761 515	13 734 614

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 August 2007 R	Year ended 31 August 2006 R
Share capital and share premium	314 140 447	10
Balance at beginning of year	10	10

Issued during year	174 722 689	–
Shares to be issued	139 417 748	–
Accumulated profit	73 659 376	19 721 232
Balance at beginning of year	19 721 232	1 130 624
Net profit for the year	53 938 144	27 590 608
Dividends declared	–	(9 000 000)
Capital and reserves	387 799 823	19 721 242

SEGMENTAL ANALYSIS

	Revenue (external) Year ended		Profit before taxation Year ended	
	31 August 2007	31 August 2006	31 August 2007	31 August 2006
Woodworking	212 585 215	175 850 787	59 396 585	40 665 001
Generators	66 429 917	–	16 135 375	–
Total	279 015 132	175 850 787	75 531 960	40 665 001

	Net asset value At	
	31 August 2007	31 August 2006
Woodworking	311 995 161	19 721 242
Generators	75 804 662	–
Total	387 799 823	19 721 242

COMMENTARY

INTRODUCTION

Austro has achieved excellent results in this, our first financial year as a listed company. From the outset, the company's mission has been to become the foremost player in strategic, complementary niche markets in the industrial suppliers and construction-related sectors.

Since its listing on the JSE Limited ("JSE") in February 2007, Austro has made significant strides to realise this vision, including entering into, and consolidating its position in, the generator sale and rental market, as well as augmenting its service offering in respect of the woodworking machines and tools market. Both of these markets are particularly exciting and lucrative as they are key inputs into the construction and allied sectors which are showing exceptional growth.

Established in the 1980's, Austro's primary business is distributing premium quality woodworking equipment and selling and maintaining tools, blades and cutters for this equipment. The Austro portfolio includes leading European equipment manufacturers such as Biesse, Fravol, Casolin, Felder, Striebig and Weinig.

During the year Austro made two acquisitions, namely New Way Motor and Diesel Engineering (Proprietary) Limited ("New Way") and Gearing Moss Supplies (Proprietary) Limited ("Gearing Moss"). The effective date of these acquisitions was 1 June 2007, the results of these wholly owned subsidiaries have been included for the last three months of the financial year. Included in the total cost of the investments (New Way R225,4 million; Gearing Moss R39,4 million) are portions to be settled by the issuing of shares (New Way 40,5 million shares; Gearing Moss 3,7 million shares) with a fair value on the effective date of R3,08 per share.

New Way provides heavy machinery for commerce, industry, mining and the public sector, its primary focus being the sale of industrial engines as well as the manufacturing, servicing and sale of generators. New Way has the sole distribution rights for John Deere

Industrial and Marine Diesel Engines, Funk Axles and Transmissions in sub-Saharan Africa. Other agencies include, amongst others, Mitsubishi, Doosan Infacore (formerly Daewoo Industrial) and Marathon Electric.

Gearing Moss is a supplier of mobile sawmills and small log-processing equipment to the sawmilling industry and tooling to the industrial woodworking industry. Gearing Moss has agencies for a number of leading brands including Wood-Mizer portable sawmills, the world leader in sawmills, as well as its own range of sawmilling equipment.

Subsequent to year-end Austro also acquired the shares in, and claims against, Neptune Plant (Proprietary) Limited and Neptune Plant Hire (Proprietary) Limited, collectively ("Neptune"), which hire out industrial generators to commerce and industry. The group now offers their generators for hire, primarily in the Western Cape, but also worldwide. The dynamic nature of this business has seen Neptune generators travelling to all seven continents. The effective date of this acquisition was 1 September 2007, the results were not included in the current financial year.

The directors are pleased to present the audited financial results of the company for the year ended 31 August 2007 ("the current year").

FINANCIAL RESULTS

Austro has managed to maintain strong and consistent organic growth in revenue and profitability as well as benefiting from Austro's exciting acquisitions. The impact of the New Way and Gearing Moss acquisitions have only been included for the final quarter of the year, the full potential of these new lines of business and resultant synergies have yet to be realised. Since listing on the JSE management has adapted well to the new corporate reporting environment and has tackled the challenges associated with new acquisitions in a controlled and responsible manner.

The 58,7% growth in revenue from R175,9 million to R279,0 million was driven by increased demand in the construction and allied sectors, price increases as well as the acquisitions set out above.

The gross profit margin of 41,7% is consistent with the prior year.

Net profit for the year increased 95,5% from R27,6 million to R53,9 million. Included in net profit for the year is a profit on disposal of property, plant and equipment of approximately R6,4 million. The current year acquisitions of New Way and Gearing Moss contributed significantly to the drive to increase profits, with their contribution to net profit for the three months of R11,3 million and R1,4 million respectively. Had the group acquired these subsidiaries at the beginning of the current financial year the group revenue and profit before tax would have been R460,2 million and R110,4 million respectively.

Earnings per share of 16,1 cents exceeded the forecast of 12,5 cents by 28,8%, while headline earnings per share of 14,2 cents exceeded the forecast of 10,5 cents by 35,2%.

Austro increased its stock levels in order to meet customer demand as well as taking advantage of competitive pricing from suppliers on favourable terms and exchange rates.

Share capital and share premium increased as a result of the capital raising undertaken at the time of listing, the issue of shares in relation to the acquisitions, as well as the issue of shares for cash to Stanlib Asset Management (Proprietary) Limited.

PROSPECTS

The environment in which Austro operates is extremely favourable. South Africa is experiencing a level of sustained growth in GDP which is unparalleled in economic history.

Record expansion in the construction and allied sectors helped GDP grow by 4,8% in the first quarter of 2007, resulting in 34 consecutive quarters of economic growth since 1998.

The construction industry as a whole, and Austro in particular, will benefit from the economic commitments from Government, state enterprise investment programmes and growing foreign investments. The group believes its success will be underpinned by Government's preparation for the 2010 FIFA World Cup, which will see the upgrading of five stadiums, and substantial improvements to public transportation and related infrastructure in the host cities. On a provincial level the Gautrain development, and the ever-increasing demand for new residential and commercial properties, and their need for wood-related products, will also result in increased demand for all of Austro's products and services up to, and beyond 2010.

The growth in the economy has also highlighted key limitations of various infrastructural elements, one of which is power shortages. South Africa's existing power generating capacity and infrastructure is insufficient to meet the growing demand for power in the country. As the largest supplier of power to sub-Saharan Africa, South Africa is also ill-equipped to meet the needs of this market. As the economy expands, the lack of capacity and infrastructure to deliver power is becoming a fundamental problem in all spheres of life. Commerce and industry owners are increasingly aware of the loss of business due to power outages. Customers include the industrial and commercial sectors as well as residential and luxury developments, municipalities, hospitals and ships – which due to increased traffic through our harbours as a result of growing exports and imports, require uninterrupted power, and the rental or acquisition of generators providing the only alternatives. The recent boom in the mining sector has also seen an increased demand for free-standing diesel generators in mine slurries. This has created additional, lucrative markets for Austro's recent acquisitions, New Way and Neptune.

The hiring out of generators by Neptune will allow the group to take full advantage of the temporary or short-term demand for generators. Looking forward the group will adopt a more aggressive approach towards the rental market, by expanding Neptune's business into a larger geographical area. The necessary resources needed to grow the division into a sizeable contributor to the group's profits will be allocated in order to meet this objective.

ACQUISITION ACTIVITY

The parties have agreed that Austro will no longer pursue the acquisition of Generator and Plant Hire (Proprietary) Limited.

DIVIDEND POLICY

The dividend policy will be reviewed periodically taking into account prevailing circumstances and future cash requirements. Initially, all earnings generated by the company will be utilised to fund future growth.

Accordingly, in line with company policy, no dividend has been declared for the current year.

BLACK ECONOMIC EMPOWERMENT ("BEE")

Austro is committed to equal opportunity employment through various broad-based black economic empowered initiatives and is actively pursuing real BEE equity ownership.

BASIS OF PREPARATION

These summarised consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards ("IFRS"), the requirements of IAS 34 and in compliance with the Listing Requirements of the JSE and the South African Companies Act of 1973. The principal accounting policies used in the preparation of the results for the year ended 31 August 2007 are consistent with those applied in the prior year.

AUDIT OPINION
These summarised consolidated financial statements have been audited by PKF (Jhb) Inc whose unqualified audit opinion is available for inspection at the company's registered office.

APPRECIATION
Austro has grown phenomenally since its listing. We extend our sincere thanks to our dedicated staff, whose commitment has been an integral part of the group's success. We also thank our customers, business partners, advisors, suppliers and most importantly our shareholders for their unwavering support and faith in the group.

By order of the board

David Solomon Brouze	Daniel Rothlisberger
Chairman	Managing director

Johannesburg
21 November 2007

Non-executive directors:
DS Brouze (Chairman), R Jonah, W Hauser

Executive directors:
D Rothlisberger, BD Downs

Registration number:
2001/029771/06

Business/registered address:
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Business postal address:
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Company secretary:
Probity Business Services (Proprietary) Limited

Transfer secretaries:
Computershare Investor Services 2004 (Proprietary) Limited

Sponsor:
Java Capital (Proprietary) Limited

Auditors:
PKF (Jhb) Inc.

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