Austro Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 2001/029771/07)
Share code: ASO ISIN: ZAE000090882
("Austro" or "the company")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2007

HIGHLIGHTS

Revenue increased by 27% to R94,8 million
Net profit before tax increased by 22% to R18,4 million
Core earnings per share increased by 65% from 3,27 cents to 5,39 cents per share
Acquisition of New Way Motor and Diesel Engineering (Pty) Limited

CONDENSED INCOME STATEMENTS

	28 February 2007 R	28 February 2006 R	Audited year ended 31 August 2006 R
Revenue	94 796 755	74 489 726	175 850 787
Profit from operations	17 948 457	15 005 370	40 632 812
Finance income	484 053	99 444	32 189
Net profit before tax	18 432 510	15 104 814	40 665 001
Taxation	5 345 428	4 380 396	13 074 393
Net profit after tax	13 087 082	10 724 418	27 590 608
Dividends	–	–	9 000 000
Number of shares in issue	328 261 400	308 261 400	308 261 400
Weighted average number of shares	309 928 067	308 261 400	308 261 400
Note			
EPS (cents)	4,22	3,5	9,0
Net profit after tax	13 087 082	10 724 418	27 590 608
Net profit on disposal of assets	(1 075 323)	–	–
Headline earnings	12 011 759	10 724 418	27 590 608
Headline earnings per share (cents)	3,9	3,5	9,0
HEPS			

Note: For comparative purposes the shares in issue in those periods have been adjusted to provide more meaningful information.

CONDENSED BALANCE SHEETS

	28 February 2007 R	28 February 2006 R	Audited at 31 August 2006 R
Assets			
Non-current assets	24 389 498	29 350 522	30 360 498
Current assets	90 411 088	53 920 443	72 683 102
Inventories	54 000 399	26 984 186	35 402 419
Trade and other receivables	13 255 879	11 313 367	23 546 069
Cash resources	23 154 810	15 622 890	13 734 614
Total assets	114 800 586	83 270 965	103 043 600
Equity and liabilities			
Capital and reserves	53 766 965	11 855 052	19 721 242
Share capital and share premium	20 958 651	10	10

Accumulated profits	32 808 314	11 855 042	19 721 232
Non-current liabilities	423 351	384 434	480 351
Deferred taxation	423 351	384 434	480 351
Current liabilities	60 610 270	71 031 479	82 842 007
Trade and other payables	40 787 852	23 528 326	40 438 272
Amount owing for purchase of subsidiary	27 850	5 250 000	5 445 790
Other liabilities	85 755	3 111 008	358 636
Shareholders for dividends	–	23 000 000	22 000 000
Taxation	19 708 813	16 142 145	14 599 309
Total equity and liabilities	114 800 586	83 270 965	103 043 600

CASH FLOW STATEMENTS

	6 months 28 February 2007 R	6 months 28 February 2006 R	Audited 12 months 31 August 2006 R
Cash flows from operating activities	10 903 872	12 237 470	27 198 983
Cash generated by operations	10 655 743	12 164 747	37 889 479
Interest received	484 053	99 444	32 189
Taxation paid	(235 924)	(26 721)	(10 722 685)
Cash flows from investing activities	(169 436)	(809 696)	(3 552 425)
Cash flows from financing activities	(1 314 240)	(6 433 148)	(20 540 208)
Issue of shares	20 958 641	–	–
(Decrease) in non-trading liabilities	(272 881)	(6 433 148)	(10 540 208)
Dividends paid	(22 000 000)	–	(10 000 000)
Net increase in cash resources	9 420 196	4 994 626	3 106 350
Cash resources at beginning of period	13 734 614	10 628 264	10 628 264
Cash resources at end of period	23 154 810	15 622 890	13 734 614

STATEMENTS OF CHANGES IN EQUITY

	6 months 28 February 2007 R	6 months 28 February 2006 R	Audited 12 months 31 August 2006 R
Share capital and share premium	20 958 651	10	10
Balance at beginning of period	10	10	10
Issued during period	24 953 024	–	–
Share issue expenses written off	(3 994 383)	–	–
Accumulated profits	32 808 314	11 855 042	19 721 232
Balance at beginning of period	19 721 232	1 130 624	1 130 624
Net profit for the period	13 087 082	10 724 418	27 590 608
Dividends declared	–	–	(9 000 000)
Total capital and reserves	53 766 965	11 855 052	19 721 242

COMMENTARY

INTRODUCTION

Established in the 1980s, Austro is a distributor of premium quality woodworking equipment and sells and maintains tools, blades and cutters for this equipment. The group has more than 20% of the market for imported woodworking equipment and long-standing distribution relationships with the leading European equipment manufacturers such as Boere, Casolin, Felder, Striebig and Weinig.

The directors are pleased to present the maiden interim financial results of the company for the six months ended 28 February 2007 ("the interim period").

FINANCIAL RESULTS

Austro has managed to maintain strong and consistent growth in revenue and profitability and met its forecast for the first six months. It has achieved its objectives of listing on the JSE Limited ("JSE") and management has integrated well into the new corporate reporting structure.

The 27% growth in revenue from R74,5 million to R94,8 million was driven by increased demand in the construction and allied sectors as well as price increases.

Gross profit margins exceeded forecast levels and management have not seen margin compression post the interim period.

Net profit after taxation for the period increased 22% from R10,7 million to R13,09 million despite a loss of R3,6 million incurred on the fair valuing of foreign exchange contracts ("FECs") required to be accounted for through the income statement in terms of International Financial Reporting Standards ("IFRS"). Included in net profit after taxation is a profit on disposal of property, plant and equipment of approximately R1 million. A further profit of R6,7 million on the disposal of property was realised post the interim period.

In order to provide comparability with future periods, and as additional disclosure of operational performance, core earnings have been calculated whereby adjustments for the FECs are removed from the income statement. On this basis, core earnings per share increased 65% from 3,27 cents to 5,39 cents.

Austro increased its stock levels significantly in order to meet customer demand as well as taking advantage of competitive pricing from suppliers on favourable terms. Despite the increase in stock the group improved cash and cash equivalents by 48% from R15,6 million to R23,1 million. The share capital and share premium increased as a result of the capital raising undertaken at the time of listing.

PROSPECTS

The board of directors remain optimistic with regard to the group's prospects to August 2007 and beyond due to the strong organic growth underpinned by high levels of economic activity in the construction industry. The current construction boom is expected to continue for the foreseeable future driven by the continued economic growth in the country, an enlarged consumer base and increased consumer spending on a wide range of construction and industrial products.

Historically the group has outperformed in the second half of the financial year compared to the first due to the December and January shut-down period. This trend is expected to positively affect the following six-month period's results.

In addition, Austro announced that it has concluded an agreement for the acquisition of New Way Motor & Diesel Engineering (Pty) Limited ("New Way"), subject to the fulfilment of certain outstanding conditions, the details of which are included in the financial effects announcement below. On implementation of the acquisition, the group is poised to benefit not only from New Way's organic growth potential but through the unlocking of synergies within the enlarged group.

The strategic decision to expand Austro's service offering and footprint in the industrial supplies sector is based on the expectation that alternative power is becoming critical for conducting business due to the frailty of the power supply infrastructure as well as increased economic activity towards 2010. Both Austro and New Way are highly regarded for the best of breed products and excellent customer service that their respective markets demand.

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 group policy, no dividend has been declared for the interim period.

BASIS OF PREPARATION AND REVIEW OPINION
The interim results have been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting policies applied in preparing these interim financial statements are consistent with those applied in the prior interim period and at previous year-end and are in accordance with IFRS.

These interim results have been reviewed by PKF (Jhb) Inc. Their unqualified review report is available for inspection at the company's registered office.

CHANGES TO THE BOARD OF DIRECTORS
Subsequent to the interim period, W Hauser was appointed as a non-executive director.

APPRECIATION
We thank our loyal staff for their commitment and hard work which contributed to Austro's achievement of its milestone listing on the JSE. We also thank our customers, business partners, advisors, suppliers and most importantly our shareholders for their ongoing support and faith in the group.

By order of the board

Daniel Rothlisberger
Director
21 May 2007

Brian Downs
Director

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

Executive directors:
D Rothlisberger, BD Downs

Registration number:
2001/029771/07

Business address:
1125 Leader Road, Stormill Ext 4, Roodepoort, Johannesburg

Business postal address:
PO Box 1914, Florida, Johannesburg 1710

Company secretary:
AL Pretorius (CA(SA), ACMA(UK))
Telephone: 011 472 0910
Facsimile: 011 472 0925

Transfer secretaries:
Computershare Investor Services 2004 (Pty) Limited

Sponsor:
Java Capital (Proprietary) Limited

Visit our website: www.austro.co.za