AUSTRO

GROUP LIMITED

UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2009

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

CONSOLIDATED INCOME STATEMENTS

	Unaudited six months ended 28 February 2009 R'000	Unaudited six months ended 29 February 2008 R'000	Audited year ended 31 August 2008 R'000
Revenue	315 381	273 944	715 131
Cost of sales	(182 533)	(158 004)	(435 038)
Gross profit	132 848	115 940	280 093
Other operating income	1 011	2 788	6 187
Operating expenses	(89 875)	(55 186)	(131 682)
Profit from operations	43 984	63 542	154 598
Finance income	3 858	2 866	6 957
Finance expense	(11 644)	(17)	(7 522)
Profit before taxation	36 198	66 391	154 034
Taxation expense	(11 144)	(19 645)	(42 070)
Net profit for the period	25 054	46 746	111 964
Dividends declared	8 628	–	–
Number of shares in issue ('000)	431 413	425 927	431 413
Weighted average number of shares ('000)	431 413	425 927	428 221
Diluted weighted average number of shares ('000)	431 413	429 631	428 221
Earnings per share (cents)	5,8	11,0	26,1
Diluted earnings per share (cents)	5,8	10,9	26,1
Dividends per share (cents)	2,0	–	–
Net asset value per share (cents)	121,6	101,3	117,8
Headline earnings per share (cents)	5,7	10,9	25,9
Diluted headline earnings per share (cents)	5,7	10,8	25,9
Reconciliation of earnings to headline earnings:			
Net profit for the period	25 054	46 746	111 964
Net profit on disposal of property, plant and equipment	(407)	(322)	(1 259)
Headline earnings	24 647	46 424	110 705

CONSOLIDATED BALANCE SHEETS

	Unaudited as at 28 February 2009 R'000	Unaudited as at 29 February 2008 R'000	Audited as at 31 August 2008 R'000
Assets			
Non-current assets	279 666	237 538	282 281
Property, plant and equipment	52 861	34 953	56 008
Deferred taxation	6 856	695	6 304
Goodwill and other intangibles	219 949	201 890	219 969
Current assets	478 291	384 091	556 770
Inventories	390 058	211 432	414 416
Trade and other receivables	88 233	79 140	142 354
Cash resources	–	93 519	–
Total assets	757 957	621 629	839 051
Equity and liabilities			
Capital and reserves	524 813	431 592	508 408
Share capital	4	4	4
Share premium	322 760	308 003	308 003
Shares to be issued	–	3 179	14 778
Accumulated profits	202 049	120 406	185 623
Non-current liabilities	4 056	1 925	4 448
Interest bearing liabilities	3 467	–	3 453
Deferred taxation	589	1 925	995
Current liabilities	229 088	188 112	326 194
Trade and other payables	83 388	127 940	203 438
Amount owing for purchase of subsidiaries	8 228	13 676	13 228
Shareholders for dividends	8 437	–	–
Taxation payable	44 394	46 496	38 989
Bank overdrafts	84 641	–	70 539
Total equity and liabilities	757 957	621 629	839 051

SUMMARISED CONSOLIDATED CASH FLOW STATEMENTS

	Unaudited six months ended 28 February 2009 R'000	Unaudited six months ended 29 February 2008 R'000	Audited year ended 31 August 2008 R'000
Cash flows from operating activities	(7 035)	12 923	(109 665)
Cash generated by/(utilised in) operations	7 639	12 328	(71 201)
Interest received	3 858	2 866	6 958
Interest paid	(11 644)	(17)	(6 397)
Dividends paid	(191)	–	–
Taxation paid	(6 697)	(2 254)	(39 025)
Cash flows from investing activities	(2 081)	(18 454)	(55 478)
Cash flows from financing activities	(4 986)	(109 712)	(114 158)
Net decrease in cash resources	(14 102)	(115 243)	(279 301)
Cash resources at beginning of period	(70 539)	208 762	208 762
Cash resources at end of period	(84 641)	93 519	(70 539)

SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited six months ended 28 February 2009 R'000	Unaudited six months ended 29 February 2008 R'000	Audited year ended 31 August 2008 R'000
Share capital and share premium	322 764	311 186	322 785
Balance at beginning of period	322 785	314 141	314 141
Issued during period	14 757	133 284	133 284
Movement in shares to be issued reserve	(14 778)	(139 418)	(139 418)
Shares to be issued	–	3 179	14 778
Accumulated profits	202 049	120 406	185 623
Balance at beginning of period	185 623	73 660	73 659
Net profit for the period	25 054	46 746	111 964
Dividends declared	(8 628)	–	–
Total capital and reserves	524 813	431 592	508 408

SEGMENTAL ANALYSIS

	Revenue (external)		Profit before taxation		Net asset value	
R'000	28 February 2009	29 February 2008	28 February 2009	29 February 2008	28 February 2009	29 February 2008
Wood	88 065	101 466	1 780	21 009	312 502	388 236
Power	227 316	172 478	34 418	45 382	212 311	43 356
Total	315 381	273 944	36 198	66 391	524 813	431 592

COMMENTARY

INTRODUCTION

Austro Group Limited is a distributor and manufacturer of specialised and quality branded industrial equipment to corporate, commercial and infrastructure markets, principally in South Africa. The Group has two operating divisions, the Woodworking Division ("Wood"), which specialises in the distribution of professional woodworking machinery and tooling, and the Power Division ("Power"), which manufactures, rents and markets alternative power products such as generators, diesel engines and switchgear.

Wood contributed 27,9% to revenue (2008: 37,0%) and 10,9% to operating profit (2008: 29,0%). The economic downturn had a negative effect on this division.

During the period under review, Power contributed 72,1% to revenue (2008: 62,9%) and 89,1% (2008: 71,0%) to operating profit. Power performed satisfactorily in spite of difficult market conditions. Although the frequency of power outages has declined since last year, the demand for generating systems remains at a high level.

FINANCIAL REVIEW

Income statement

Revenue increased by 15% from R274 million to R315 million. This was mainly driven by the Group's Power Division due to acquisitions and a healthy demand in the alternative power supply industry.

Operating profit decreased by 32% to R43 million (2008: R63 million), as a result of the sharp reduction in Wood's revenue without a corresponding reduction in the fixed overhead structure, as well as tougher trading conditions throughout the Group. Operating profit was further impacted by foreign exchange losses of R12 million during the current period.

Earnings per share decreased to 5,8 cents per share (2008: 11,0 cents per share), while headline earnings per share decreased to 5,7 cents per share (2008: 10,9 cents per share).

Balance sheet

Group gearing remained at an acceptable level of 20,1% (2008: 17,2%). The Group's inventory remains at a high level. This aspect is receiving management's attention. In spite of the high value, there is little likelihood of write downs due to obsolescence.

There was no significant investment in capital expenditure during the period.

Cash flow

During the period under review, the Group generated cash of R7,6 million compared to cash absorbed of R71,2 million during the year ended 31 August 2008. The cash absorbed during the year ended 31 August 2008 was mainly due to an increase in working capital and investment in acquisitions.

OPERATING REVIEW

Wood

The economic slowdown impacted strongly on this division. Negative sentiment resulted in a large portion of Wood's customer base curbing spending and striving to retain cash for the uncertain times ahead. Wood's customers have been affected by the drop in residential and commercial developments, along with reduced consumer spending.

Revenue decreased by 13% to R88,1 million (2008: R101,5 million) and operating profit decreased by 70% to R5,4 million (2008: R18,4 million).

Progress has been made in reducing overheads and this will have a positive effect in the next trading period.

Within the Woodworking Division, the Cape Town operation and Gearing Moss have performed particularly well, with Gauteng performing poorly.

The recently formed 2nd Cut, which trades in used woodworking equipment, is showing encouraging results and will contribute towards the facilitation of the sale of new equipment.

Power

Revenue increased by 32% to R227,3 million (2008: R172,4 million) and operating profit decreased by 14% to R38,6 million (2008: R45,1 million). New Way, the supplier and manufacturer of generator sets, industrial diesel engines and related components, continued to be the Group's biggest contributor to revenue and profit.

Neptune, the generator rental business, had a mixed set of results, with the Cape branch producing results in line with prior periods, whilst the Johannesburg branch has yet to reach the required fleet utilisation. Potential penetration into the Johannesburg market is being assessed to ensure the viability of this new initiative.

Considerable progress has been made to exploit the synergies between New Way and Quad. The latter has recently moved into larger premises that will considerably increase its production capacity. Quad produces electrical panels and soundproof enclosures.

PROSPECTS

The Group is taking a conservative approach due to the current economic climate. It will concentrate on ensuring that Wood remains profitable in spite of a further expected decrease in revenues. This will be achieved by reducing overheads and increasing efficiencies.

The outlook for Power is more positive. It is well positioned to take advantage of infrastructure expenditure, with the World Cup activity set to have a particularly positive effect.

New Way is consolidating its operations, at present housed in four separate facilities, which will result in efficiencies in warehousing, manufacturing and logistics.

Quad's new facilities should help it to considerably increase its revenue.

Neptune's Gauteng operation is starting to generate interest in the generator rental market and should replicate the success of the Cape operation.

Quintec, the Durban rental operation, has shown signs of recovery and should increase its share of the KwaZulu-Natal market.

The Group is mindful of the volatile environment in which it operates, but is confident that with conservative policies it will show modest improvement in the short term until markets normalise, when it should be well positioned to take full advantage of this situation.

DIVIDEND

It is the Group's policy to pay a dividend at the end of the financial year.

BASIS OF PREPARATION

The interim financial results have been prepared in accordance with IAS 34 (*Interim Financial Reporting*). The accounting policies applied in preparing these interim financial results are consistent with those applied in the prior year end and the prior interim period, and are in accordance with International Financial Reporting Standards and comply with the Companies Act, 1973. This announcement has been prepared in accordance with the Listings Requirements of the JSE Limited. These interim financial results have not been audited or reviewed by the Group's auditors, PKF (Jhb) Inc..

CHANGES TO THE BOARD OF DIRECTORS

Chief executive officer Robert Friese resigned with effect from 31 March 2009 from the Board for personal reasons. Neill Davies, a non-executive director of the Group, has taken on the role of acting CEO until a suitable candidate can be found.

The Group is actively interviewing candidates and is confident of finding a suitable replacement within the next few months.

There were no other changes to the Board.

By order of the Board

Anthony John Phillips
Chairman

David Brouze
Non-Executive Director

Johannesburg
15 May 2009

Non-executive directors: AJ Phillips* (Chairman), DS Brouze, W Hauser* (*Independent)
Executive directors: N Davies (acting CEO), BD Downs, JO Freed, MR Petzer, J Freed (alt to JO Freed)
Registration number: 2001/029771/06
Business/registered address: 1125 Leader Avenue, Stormill Ext. 4, Roodepoort, Johannesburg
Business postal address: PO Box 1914, Florida, 1710, Johannesburg
Company secretary: Probity Business Services (Proprietary) Limited
Transfer secretaries: Computershare Investor Services (Proprietary) Limited
Sponsor: Java Capital (Proprietary) Limited

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