

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

UPDATE AND FINANCIAL EFFECTS OF NEW WAY MOTOR AND DIESEL ENGINEERING  
(PROPRIETARY) LIMITED ("NEW WAY") TRANSACTION AND FURTHER CAUTIONARY  
ANNOUNCEMENT

INTRODUCTION

As announced on 3 April 2007, Austro has concluded an agreement for the acquisition, with effect from 30 April 2007, of the entire issued share capital and all shareholder claims in and against New Way ("the New Way acquisition"). The New Way acquisition is to be effected for a purchase consideration of R200 000 000 to be discharged as to R100 000 000 in cash (which payment may be funded by way of a vendor placement) and the remaining R100 000 000 by Austro issuing in aggregate 40 500 000 new Austro shares at approximately R2,47 per share to the vendors.

STATUS OF THE NEW WAY ACQUISITION

It is anticipated that all of the outstanding conditions precedent to the New Way acquisition (which conditions are summarised in the 3 April 2007 announcement) will be timeously fulfilled. This will result in the New Way acquisition being implemented on or about 30 June 2007.

Subsequent to the 3 April 2007 announcement, the agreement to give effect to the New Way acquisition was amended to incorporate an additional vendor warranty to the effect that, to the best of the New Way vendor's knowledge and belief, the management accounts of New Way for the 10 month period ended 30 April 2007 which reflect a net profit before tax in excess of R37 000 000 are correct (and that same will be verified in the audited effective date financial statements of New Way which are in the process of being completed).

FINANCIAL EFFECTS OF NEW WAY ACQUISITION

The pro forma financial effects of the New Way acquisition on Austro's historical earnings per share ("EPS") and headline earnings per share ("HEPS") for the six months ended 28 February 2007, and net asset value ("NAV") per share and tangible net asset value ("NTAV") per share at 28 February 2007, are set out in the table below.

The pro forma financial effects have been prepared for illustrative purposes only, to provide information on how the New Way acquisition may have impacted on the historical results and financial position of Austro. Because of their nature, they may not give a fair reflection of Austro's financial position after the New Way acquisition or the effect of the New Way acquisition on Austro's future earnings. The pro forma financial effects are the responsibility of the directors of Austro.

	Historical before the New Way acquisition (cents)	Pro forma after the New Way acquisition (cents)	Change after the New Way acquisition (%)
EPS	4,2	5,3	26,2
HEPS	3,9	5,0	28,2
NAV per share	16,4	46,4	182,9
TNAV per share	13,1	(4,8)	(136,6)
Weighted average shares in issue (‘000)	309 928	350 428	
Shares in issue at 28 February 2007 (‘000)	328 261	368 761	

Notes and assumptions:

1. The amounts set out in the “Historical before the New Way acquisition” column have been extracted from Austro’s reviewed results for the six months ended 28 February 2007.

2. EPS and HEPS, as set out in the “Pro forma after the New Way acquisition” column, reflect the effects of the New Way acquisition on EPS and HEPS for the six months ended 28 February 2007 based on the following assumptions:

- The acquisition was effective 1 September 2006 and control of New Way passed to Austro on the same date for earnings purposes.
- The inclusion of New Way’s profit after tax for a six month period based on New Way’s audited results for the 12 months ended 30 June 2006 on the assumption that the profit was earned evenly over the 12 month period.
- 40 500 000 Austro ordinary shares had been issued on 1 September 2006 as part payment of the New Way acquisition price.
- Interest-bearing funding of R100 000 000 had been secured and utilised on 1 September 2006 for payment of the balance of the New Way acquisition price. The funding is assumed to be subject to a variable before taxation interest rate commencing at 10,5% per annum.

3. NAV per share and TNTAV per share, as set out in the “Pro forma after the New Way acquisition” column, reflect the effect of the New Way acquisition on NAV per share and TNTAV per share at 28 February 2007 based on the following assumptions:

- The acquisition was effective 28 February 2007.
- The inclusion of New Way’s NAV based on New Way’s audited balance sheet at 30 June 2006.
- A cost of acquisition of R217 450 000 based on 40 500 000 Austro ordinary shares issued at a value of R2,90 per share, which is the 30 day volume weighted average price per share at 17 May 2007, and a cash payment of R100 000 000.
- A purchase price allocation exercise will need to be performed at the effective date in terms of IFRS3 (Business Combinations). For the purposes of the pro forma financial effects, the difference between the cost of acquisition and the carrying value of the assets and liabilities acquired of approximately R176 434 000 has been allocated to goodwill.
- Costs relating to the New Way acquisition of approximately R1 600 000 were capitalised to the cost of the investment and results in further goodwill of such amount on consolidation.

**FURTHER CIRCULAR**

A category 2 transaction circular containing further details on the New Way acquisition will be sent to shareholders in due course.

**FURTHER CAUTIONARY ANNOUNCEMENT**

Although shareholders are no longer required to exercise caution in the context of the New Way acquisition, shareholders are advised that Austro has entered into unrelated negotiations which, if successfully concluded, may have a material effect on the price of Austro shares. Accordingly, shareholders are advised to exercise caution when dealing in Austro shares until a further announcement is made.

Johannesburg  
21 May 2007

Corporate advisor, legal advisor and sponsor  
Java Capital (Proprietary) Limited