

Condensed Consolidated Unaudited Results

for the six months ended 28 February 2013

Revenue	↑ 34,5% to R261,1 million
Operating profit	↑↑ to R16,3 million from a loss of (R6,6 million)
Earnings	↑↑ to 2,7 cents per share from a loss of (37,3 cents) per share
Headline earnings	↑↑ to 2,8 cents per share from a loss of (3,4 cents) per share
Net asset value	↑↑ to 94,4 cents per share
Tangible net asset value	↑↑ to 70,2 cents per share

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 28 February 2013 R'000	Unaudited For the six months ended 29 February 2012 R'000	Audited For the twelve months ended 31 August 2012 R'000
Revenue	261,142	194,205	417,531
Cost of sales	(181,692)	(127,322)	(289,374)
Gross profit	79,450	66,883	128,157
Other operating income	2,962	1,948	4,523
Net operating expenses	(66,073)	(75,437)	(149,714)
Onerous lease expense effect	-	(8,976)	(8,647)
Operating expenses excluding onerous lease effect	(66,073)	(66,461)	(141,067)
Profit/(loss) from operations before impairment of goodwill	16,339	(6,606)	(17,034)
Impairment of goodwill	-	(134,197)	(134,197)
Profit/(loss) from operations before interest and taxation	16,339	(140,803)	(151,231)
Net interest received	19	1,455	1,950
Interest received	1,048	3,224	6,015
Interest paid	(1,029)	(1,769)	(4,065)
Profit/(loss) before taxation	16,358	(139,348)	(149,281)
Taxation expense	(5,746)	(8,250)	(5,132)
Total comprehensive income/(loss) for the period	10,612	(147,598)	(154,413)
Attributable to			
Owners of Austro Group Limited	10,737	(147,437)	(154,412)
Non-controlling interest in subsidiary	(125)	(161)	(1)
Total comprehensive income/(loss) for the period	10,612	(147,598)	(154,413)
	Unaudited For the six months ended 28 February 2013	Unaudited For the six months ended 29 February 2012	Audited For the twelve months ended 31 August 2012
Numbers of shares in issue	395,292,923	395,693,678	395,292,923
Weighted average number of shares	395,292,923	395,295,125	395,294,018
Earnings/(loss) per share (cents)	2.7	(37.3)	(39.1)
Diluted earnings/(loss) per share (cents)	2.7	(37.3)	(39.1)
Headline earnings/(loss) per share (cents)	2.8	(3.4)	(5.3)
Diluted headline earnings/(loss) per share (cents)	2.8	(3.4)	(5.3)
Reconciliation of income/(loss) to headline earnings/(loss):	R'000	R'000	R'000
Total comprehensive income/(loss) for the period	10,737	(147,437)	(154,412)
Net loss/(profit) on disposal of plant and equipment	563	(99)	(693)
Impairment of goodwill	-	134,197	134,197
Tax effect thereof	(104)	14	97
Headline earnings/(loss)	11,196	(13,325)	(20,811)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 28 February 2013 R'000	Unaudited As at 29 February 2012 R'000	Audited As at 31 August 2012 R'000
ASSETS			
Non-current assets	147,220	138,986	152,650
Plant and equipment	41,019	38,300	43,043
Goodwill	95,544	95,544	95,544
Deferred taxation	10,657	5,142	14,063
Current assets	356,061	312,255	341,453
Inventories	191,248	205,905	197,117
Trade and other receivables	105,157	86,101	105,384
Taxation receivable	4,318	591	4,537
Cash and cash equivalents	55,338	19,658	34,415
Total assets	503,281	451,241	494,103
EQUITY AND LIABILITIES			
Capital and reserves	373,105	369,306	362,493
Stated capital	295,497	-	295,497
Share capital	-	4	-
Share premium	-	295,491	-
Accumulated profits	77,733	73,972	66,997
Non-controlling interest in subsidiary	(125)	(161)	(1)
Non-current liabilities	17,047	287	17,554
Finance lease obligation	5,416	-	5,263
Provision for onerous lease	11,631	-	12,291
Deferred taxation	-	287	-
Current liabilities	113,129	81,648	114,056
Trade and other payables	109,751	67,504	110,559
Finance lease obligation	2,280	-	2,523
Provision for onerous lease	1,098	13,587	967
Taxation payable	-	557	7
Total equity and liabilities	503,281	451,241	494,103
Net asset value per share (cents)	94.4	93.3	91.7
Tangible net asset value per share (cents)	70.2	69.2	67.5

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited As at 28 February 2013 R'000	Unaudited As at 29 February 2012 R'000	Audited As at 31 August 2012 R'000
Cash inflows/(outflows) from operating activities	24,175	(22,021)	3,743
Cash generated/(utilised) by operations	26,284	(20,411)	15,444
Interest received	1,048	3,224	6,015
Interest paid	(1,029)	(1,769)	(4,065)
Taxation paid	(2,128)	(3,065)	(13,651)
Cash outflows from investing activities	(2,699)	(3,678)	(14,387)
Cash outflows from financing activities	(553)	(3,631)	(3,929)
Net increase/(decrease) in cash and cash equivalents	20,923	(29,330)	(14,573)
Cash and cash equivalents at beginning of period	34,415	48,988	48,988
Cash and cash equivalents at end of period	55,338	19,658	34,415

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited As at 28 February 2013 R'000	Unaudited As at 29 February 2012 R'000	Audited As at 31 August 2012 R'000
Stated capital	295,497	295,495	295,497
Balance at beginning of period	295,497	295,701	295,701
Share premium reduction due to share buy back	-	(206)	(204)
Accumulated profits	77,733	73,972	66,997
Balance at beginning of period	66,996	221,409	221,409
Total comprehensive income/(loss) for the period	10,737	(147,437)	(154,412)
Non-controlling interest in subsidiary	(125)	(161)	(1)
Total capital and reserves	373,105	369,306	362,493

CONDENSED SEGMENTAL ANALYSIS

	Unaudited For the six months ended 28 February 2013 R'000	Unaudited For the six months ended 29 February 2012 R'000	Audited For the twelve months ended 31 August 2012 R'000
Revenue (external)			
Power	167,076	123,075	257,586
Gross	169,782	123,075	257,586
Inter-segment	(2,706)	-	-
Wood	94,066	71,130	159,945
Gross	94,066	71,130	160,443
Intersegment	-	-	(498)
Total	261,142	194,205	417,531
Profit/(loss) before taxation			
Power	17,204	(79,049)	(74,750)
Gross	18,752	(79,049)	(74,750)
Inter-segment	(1,548)	-	-
Wood	(846)	(60,299)	(74,531)
Gross	(846)	(60,299)	(74,421)
Intersegment	-	-	(110)
Total	16,358	(139,348)	(149,281)
Taxation expense			
Power	(4,870)	(5,311)	(6,262)
Wood	(876)	(2,939)	1,130
Total	(5,746)	(8,250)	(5,132)
Capital and reserves			
Power	329,183	340,329	320,520
Assets	401,193	383,879	386,225
Liabilities	(72,010)	(43,550)	(65,705)
Wood	43,922	28,977	41,973
Assets	102,088	67,362	107,878
Liabilities	(58,166)	(38,385)	(65,905)
Total	373,105	369,306	362,493

COMMENTARY

INTRODUCTION

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

Austro 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 to the generator manufacture and supply industry; and
- the distribution of professional woodworking equipment and tooling.

Group subsidiaries include:

- New Way Power Proprietary Limited ("Power") housing the energy and power related interests of the Group.
- Austro Proprietary Limited (previously Austro Wood Proprietary Limited) ("Wood") housing the woodworking and related interests of the Group.
- Power owns 49,9% of Matase Power Systems Proprietary Limited ("Matase").

FINANCIAL REVIEW

Consolidated statements of comprehensive income

Following a year of significant write-downs, the Group has returned to profitability and has grown tangible net asset value per share. Austro delivered significantly improved operating and financial performance for the interim period ended 28 February 2013. Demand at both Power and Wood was strong, driven by increased development and tender project work at Power and Wood's in-house trade show held in August 2012. Revenues increased 34,5% to R261,1 million compared to the prior corresponding period's R194,2 million. The gross profit margin decreased by 4,0% from 34,4% to 30,4% as a result of reduced tender project margins at Power. Operating expenses, excluding the onerous lease expense effect, declined by 0,6%, driven by a material reduction in operating expenses at Wood. As a percentage of revenue, operating expenses declined from 34,2% to 25,3%.

The increase in other operating income of 52,1% is primarily due to the rental income earned through a sub-lease at one of Wood's premises. This sub-lease expires in August 2013 and Austro is currently in the process of trying to cancel the head-lease due to the onerous nature thereof (refer to Post-Statement of Financial Position below).

The result of these movements is a net profit from operations before impairment of goodwill of R16,3 million (2012: R6,6 million loss).

Consolidated statements of financial position

The Group's net working capital, which includes inventories, accounts receivable and accounts payable, decreased by R37,8 million from R 224,5 million to R186,7 million. This reduction was achieved through reduced inventories at Power and improved terms with trade creditors. Additional finance lease obligations of R7,7 million were incurred to finance fleet vehicles.

In accordance with IAS36 (Impairment of Assets), the Group tests goodwill for impairment. These tests are based on cash flow forecasts for the following five years using the cash-generating units' results and management forecasts. No additional impairment was required at 28 February 2013.

Cash and cash equivalents increased to R55,3 million at 28 February 2013. This R20,9 million increase was primarily generated from operations.

POST-STATEMENT OF FINANCIAL POSITION

During the previous corresponding period the Group raised a provision in respect of an onerous lease at Wood, giving rise to a pre-tax impact of R8,9 million. Austro is in the process of trying to cancel this lease at a cost of R10 million which, if concluded, will result in the release of the onerous lease provision. Due to the lease being with a related party, any settlement thereof requires a fair and reasonable opinion to be obtained and the conclusion of any settlement with the related party will be communicated to shareholders in due course.

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

PROSPECTS

Locally, economic growth prospects remain muted. There do not appear to be any immediate catalysts that will accelerate growth globally while substantial downside risks remain. Power is likely to benefit from any potential load-shedding that Eskom has warned about, resulting in increased base demand for generator sets but competition to win business will remain intense. The pace of revenue growth at Wood is unlikely to be sustained but the board still expects to show real revenue growth for the financial year. Volatile exchange rates continue to put pressure on margins. A new management team has been appointed to drive the development of the Group going forward.

DIVIDEND DISTRIBUTION

No dividend has been declared for the interim period.

BASIS OF PREPARATION

These condensed consolidated unaudited interim results were prepared by Tania le Roux (Chartered Accountant (SA)), under the supervision of the Financial Director, Jarrod Friedman (Chartered Accountant (SA)).

These condensed consolidated unaudited interim results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), Interim Financial Reporting (IAS34), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by The Financial Reporting Standards Council, the JSE Listings Requirements and comply with the South African Companies Act (2008), as amended. The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 August 2012. These results have not been reviewed or reported on by the Group's auditors.

CHANGES TO THE BOARD OF DIRECTORS

Dismissal: C Jacobs (11 December 2012)
 Appointment: PD Mansour (15 April 2013)
 Appointment: JS Friedman (15 April 2013)
 Resignation: JO Freed as executive director (30 April 2013)
 Resignation: JR Freed as alternate executive director to JO Freed (30 April 2013)
 Appointment: JO Freed as non-executive director (30 April 2013)

For and on behalf of the board

PD Mansour
Chief Executive Officer

JS Friedman
Financial Director

Johannesburg
20 May 2013

Non-executive directors: AJ Phillips* (Chairman), DS Brouze, JO Freed, GS Nzalo*, U Schäckermann* (German) *Independent

Executive directors: PD Mansour (Chief Executive Officer), JS Friedman (Financial Director)

Registration number: 2001/029771/06

Registered and business address: 1125 Leader Avenue, Stormill Ext 4, Roodepoort, 1724

Business postal address: PO Box 1914, Florida, 1710

Company secretary: Probita Business Services Proprietary Limited

Transfer secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Java Capital