REVIEWED CONSOLIDATED FINANCIAL RESULTS

AUSTRO GROUP LIMITED

FOR THE YEAR ENDED 31 AUGUST 2008

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

HIGHLIGHTS

Revenue more than doubled to **R715,1 million**	Revenue growth of **156,3%** included **128,2%** organic revenue growth	Operating profit doubled to **R154,6 million**	Operating profit growth of **111,0%** included **98,7%** organic growth	Headline earnings per share increased by **82,2%**

CONSOLIDATED INCOME STATEMENT

For the year ended

	31 August 2008 Reviewed R	31 August 2007 Audited R
Revenue	715 131 346	279 015 132
Cost of sales	(435 037 998)	(162 705 535)
Gross profit	280 093 348	116 309 597
Other operating income	6 186 512	9 364 728
Operating expenses	(131 681 637)	(52 404 991)
Profit from operations	154 598 223	73 269 334
Finance income	6 957 293	2 354 626
Finance expense	(7 521 928)	(92 000)
Profit before taxation	154 033 588	75 531 960
Taxation expense	(42 069 546)	(21 593 816)
Net profit for the year	111 964 042	53 938 144
Number of shares in issue	431 413 384	377 500 610
Weighted average number of shares (Note)	428 220 774	335 074 120
Earnings per share (cents)	26,1	16,1
Headline earnings per share (cents)	25,9	14,2
Reconciliation of earnings to headline earnings:		
Net profit for the year	111 964 042	53 938 144
Profit on disposal of property, plant and equipment	(1 464 187)	(7 856 602)
Taxation effect thereon	204 986	1 453 091
Headline earnings	110 704 841	47 534 633

Note: On 16 September 2008, 5 485 893 shares were issued as part of the purchase price in acquiring Quinlec Power (Pty) Limited and Quad Technical Services (Pty) Limited.

CONSOLIDATED BALANCE SHEET

As at

	31 August 2008 Reviewed R	31 August 2007 Audited R
Assets		
Non-current assets	282 281 433	219 843 385
Property, plant and equipment	56 007 881	18 426 324
Deferred taxation	6 304 149	–
Goodwill and other intangibles	219 969 403	201 417 061
Current assets	556 769 695	428 694 874
Inventories	414 415 499	159 983 771
Trade and other receivables	142 354 196	59 949 588
Cash resources	–	208 761 515
Total assets	839 051 128	648 538 259
Equity and liabilities		
Capital and reserves	508 408 272	387 799 823
Share capital	4 259	3 775
Share premium	308 002 696	174 718 924
Shares to be issued	14 777 899	139 417 748
Accumulated profits	185 623 418	73 659 376
Non-current liabilities	4 448 465	159 788
Interest bearing liabilities	3 453 086	–
Deferred taxation	995 379	159 788
Current liabilities	326 194 391	260 578 648
Trade and other payables	203 438 363	104 543 020
Amount owing for purchase of subsidiaries	13 228 110	127 111 858
Taxation	38 988 894	28 923 770
Bank overdraft	70 539 024	–
Total equity and liabilities	839 051 128	648 538 259

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

For the year ended

	31 August 2008 Reviewed R	31 August 2007 Audited R
Cash flows from operating activities	(109 665 306)	(4 863 007)
Cash generated by operations	(71 200 967)	29 830 331
Interest received	6 957 574	2 355 815
Interest paid	(6 396 988)	(92 000)
Dividends paid	–	(22 000 000)
Taxation paid	(39 024 925)	(14 957 153)
Cash flows from investing activities	(55 477 705)	26 835 159
Cash flows from financing activities	(114 157 528)	173 054 749
Net increase in cash resources	(279 300 539)	195 026 901
Cash resources at beginning of year	208 761 515	13 734 614
Cash resources at end of year	(70 539 024)	208 761 515

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended

	31 August 2008 Reviewed R	31 August 2007 Audited R
Share capital and share premium	322 784 854	314 140 447
Balance at beginning of year	314 140 447	10
Share issued during the year	133 284 256	174 722 689
Reversal of shares to be issued reserve	(139 417 748)	–
Shares to be issued reserve	14 777 899	139 417 748
Accumulated profits	185 623 418	73 659 376
Balance at beginning of year	73 659 376	19 721 232
Net profit for the year	111 964 042	53 938 144
Total capital and reserves	508 408 272	387 799 823

SEGMENTAL ANALYSIS

	Revenue (external)		Profit before tax		Net asset value	
	31 August 2008 R	31 August 2007 R	31 August 2008 R	31 August 2007 R	31 August 2008 R	31 August 2007 R
Wood	222 637 194	212 585 215	26 632 092	59 396 585	290 650 708	311 995 161
Gross	271 156 235	212 585 215	32 416 740	59 396 585	290 650 708	311 995 161
Intersegment	(48 519 039)	–	(5 784 648)	–	–	–
Power	492 494 152	66 429 917	127 401 496	16 135 375	217 757 564	75 804 662
Gross	492 744 314	66 429 917	127 462 585	16 135 375	217 757 564	75 804 662
Intersegment	(280 162)	–	(61 089)	–	–	–
Total	715 131 346	279 015 132	154 033 588	75 531 960	508 408 272	387 799 823

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

JAVACAPITAL

COMMENTARY

INTRODUCTION

Austro Group Limited is listed in the Industrial Suppliers sector of the JSE Limited. The Group is a supplier of specialised and quality branded industrial equipment to corporate, commercial and infrastructure markets in South Africa. The Group services blue-chip clients, ranging from heavy industrial groups and construction groups to wholesalers and manufacturers.

The Group has two focused business offerings – the distribution of professional woodworking machinery and tooling and the production, supply and rental of generators and related components, such as industrial engines, alternators and switch-gear to the generator manufacture and supply industry.

Group structure:

- Power and Related Industry ("Power")
  - New Way Motor and Diesel Engineering (Pty) Limited ("New Way")
  - Neptune Plant Hire (Pty) Limited and Neptune Plant (Pty) Limited (collectively "Neptune") (acquired during period)
  - Quad Technical Services (Pty) Limited ("Quad") (acquired during period)
  - Quinlec Power (Pty) Limited ("Quinlec") (acquired during period)
- Woodworking Machines and Tools ("Wood")
  - Austro Woodworking Machines and Tools ("Austro")
  - Gearing Moss Supplies (Pty) Limited ("Gearing Moss")
  - 2nd Cut Pre-owned Woodworking Equipment (Pty) Limited ("2nd Cut")

The Group's two main businesses, New Way and Austro, have been in existence for almost 30 years.

RESULTS OVERVIEW

FINANCIAL REVIEW

The Group delivered strong results through continued demand for its quality branded products. It has a balanced portfolio of customers spread across different sectors, with no one customer representing more than 3% of its business. During the period, the Group saw a further increase in sales into infrastructure related activity, leading to strong growth in especially its largest division, Power.

Although the Group made four acquisitions during the year, it continued to deliver solid organic growth in its core divisions, with 128,2% organic revenue growth and 98,7% organic operating profit growth.

Income statement

Revenue more than doubled from R279,0 million to R715,1 million. This was mainly driven by significant growth in the Group's Power division due to acquisitions and demand in the alternative power supply industry, as well as constant demand in its Wood division for woodworking machinery and tooling in the construction and infrastructure related sectors.

Although the frequency of power outages reduced towards the latter part of the year, demand for generators has not declined and there was continued growth from corporate customers, with several large orders for power products.

Operating profit doubled to R154,6 million (2007: R73,2 million), mainly due to robust growth from New Way, the Group's established generator, diesel engine and related components supplier.

Furthermore, the current year's Power acquisitions of Neptune and Quinlec delivered above expectations with their contribution to operating profit of R11,0 million and R3,0 million respectively. The R2,9 million loss in Quad for the period was due to a new initiative in residential power generation. Since year end, this initiative has been terminated, returning the business to a profitable position.

Neptune's results were included for the entire financial year, whilst Quinlec and Quad were only included for the last five months. These businesses performed in line with expectations and will contribute strongly going forward.

Group operating margins decreased from 26,2% to 21,6%, mainly due to increased overhead costs, most significantly the implementation of more effective senior management succession planning, as well as other Group related activities. No further compression of these margins has been seen since year end and the Group is confident that it can maintain the historic levels.

Earnings per share increased to 26,1 cents per share (2007: 16,1 cents per share) while headline earnings per share almost doubled to 25,9 cents per share (2007:14,2 cents per share).

Balance sheet

Group gearing increased during the financial year due to acquisition activity and increases in working capital, primarily inventory increases. The year end gearing level was 17,2%. The Group is confident that it can comfortably service this debt.

Although the Group's business model requires adequate inventory levels to ensure speedy delivery to customers, at the close of the financial year, inventory levels were unusually high. This was as a result of Austro's bi-annual trade show that requires displays and demonstrations of the full range of woodworking equipment to buyers, including the latest technology and bigger production machines from Europe. As lead times for delivery from international suppliers have often been longer than anticipated, Austro had to place significant orders before the show to ensure the required spectrum of equipment was available. Also, as the show took place just prior to year end, the full effect of the show sales on inventory levels has not been seen during the current period.

In addition, the rapid growth in New Way sales and changing demands from clients, together with a global shortage and long lead times from overseas suppliers resulted in the company having to build inventory holding to guarantee supplies to customers.

During the period, management focused on improving the planning of its inventory ordering and is making good progress in reducing the total inventory position and in implementing improved systems and procedures relating to inventory planning, ordering and more detailed forecasting.

The average collection period for trade receivables improved by six days during the current year.

During the period, investment in property, plant and equipment increased by R49,4 million. This was partly due to acquisitions, as well as R31,5 million spent on ongoing operational investment, such as expenditure on increasing the generator hire fleet to satisfy customer demand.

Cash flow

During the period, the Group operations absorbed cash of R71,2 million. This was partly due to the growth of new initiatives and the high inventory holding at the end of the year. The Group has no significant long term debt and has adequate bank facilities to cover its requirements.

The Group is confident that its current cash position can be turned around within 12 months due to the Group's historic strong ability to generate cash. Cash will be generated by the Group trading through high inventory levels along with improved inventory purchasing systems.

Changes in equity

The Group issued 48 426 881 shares as part payment for the acquisitions of New Way, Gearing Moss and Neptune.

OPERATING REVIEW

Power

This division contributed 68,9% to Group revenue (2007: 23,8%) and 81,7% to Group operating profit (2007: 22,0%).

During the year, revenue increased significantly to R492,5 million (2007: R66,4 million) and operating profit increased to R126,2 million (2007: R16,1 million). This strong growth can be attributed to the new acquisitions, as well as demand from corporate, industrial and commercial clients for reliable primary and standby power.

The largest business in this division, New Way, continued to be the Group's biggest contributor to revenue and profit. Supplying manufactured generator sets, industrial diesel engines and related components allowed the company to broaden its market coverage, including the supply of equipment to other generator manufacturers.

During the period, the Group acquired Neptune, Quad and Quinlec. The Neptune acquisition was effective 1 September 2007 ("Neptune effective date") for a total investment of R28,7 million. Included in the total cost of the investment are portions relating to the issuing of 4,2 million shares. The fair value of the Neptune shares on the date of issue was R2,65 per share. On the Neptune effective date, Neptune had assets of R13,3 million, liabilities of R1,9 million and resultant goodwill of R17,3 million.

The Quad and Quinlec acquisitions were effective 1 April 2008 ("Quad and Quinlec effective date"). Quad was acquired for R15,5 million and Quinlec for R16,6 million. Included in the total cost of the investments are portions relating to the issuing of shares, 2,7 million relating to Quinlec and 2,8 million relating to Quad. The fair value of the Quinlec and Quad shares on the Quad and Quinlec effective date was R2,69 per share. On the Quad and Quinlec effective date, Quad had assets of R8,8 million, liabilities of R4,9 million and resultant goodwill of R11,6 million. On the Quad and Quinlec effective date, Quinlec had assets of R14,5 million, liabilities of R7,5 million and resultant goodwill of R9,6 million. The purchase price allocation in terms of IFRS3 has yet to be finalised for all of the current year acquisitions.

Had the Group acquired these wholly owned subsidiaries at the beginning of the current financial year, the Group revenue and profit before tax would have been R805,6 million and R164,1 million respectively.

These bolt-on acquisitions will reduce currently outsourced input costs and related production delays, as the Group will no longer be reliant on external suppliers. The Group is confident that these businesses will contribute strongly going forward.

Wood

This division contributed 31,1% to Group revenue (2007: 76,2%) and 18,3% to Group operating profit (2007: 78,0%).

During the period, although revenue was maintained, operating profit decreased. This was partly due to Austro carrying the costs of the Group's expenses, which include listing costs and normal head office costs associated with a listed entity, as well as all costs associated with acquisitions. As Austro was the originally listed entity, costs were not spread throughout the Group.

Start-up costs were also incurred during the year for several new initiatives that complement and support existing operations and will lead to increased market share. These include a dedicated export resource, a larger, more pro-active local sales force, a more dynamic and focused marketing strategy, a revamped showroom and service facility in KwaZulu-Natal and a strengthened Finance & Insurance offering.

The Finance & Insurance offering dovetails with the division's new used machinery operation, known as 2nd Cut. Austro buys back older machines through 2nd Cut, by way of a trade-in that gets offset against the purchase price of new equipment. At the same time, Finance & Insurance provides a finance package for the end user through registered financial institutions. Austro outsources the risk to these institutions on a non-recourse basis and is therefore not exposed to bad debts.

PROSPECTS

The Group has managed to develop its business to that of a leading provider of professional and branded equipment to fast-growing corporate, industrial and infrastructure sectors.

In the new year, it is the intention to consolidate its acquisitions and to grow its organic base.

Over the next few months, the Power division will consolidate its four New Way operations into one operation to increase efficiencies in manufacturing, warehousing and handling. It will also focus on continuing to expand its rental power business on a national basis to increase applications that are unrelated to power cuts, such as generators for the construction and entertainment industry, refrigeration and farming.

Power will serve the KwaZulu-Natal region through Quinlec, which manufactures generators using internally supplied components for both local sales and rentals. Synergies within Power will further be improved by Quad, which will manufacture panels and canopies for the division.

Wood is confident of growth, as the sectors it services continue to show robustness, especially the infrastructure sector where many of the current projects such as hotels, Gautrain related infrastructure, offices, airports and stadiums will near completion. The division's products are mainly used in the last phase of construction when joinery, office furniture, kitchens, shopfitting and finishing work take place.

In the coming year, Wood will continue to focus on growing the Tooling division, strengthening the Finance & Insurance offering and the continuation of strong marketing activities – all of which will focus on gaining market share at solid margins.

Management is confident of continued strong Group earnings growth in the next year, as well as over the long term.

DIVIDEND DISTRIBUTION

Shareholders are advised that a maiden dividend of 2 cents per share has been declared.

The salient dates in respect of the dividend are as follows:	2009
Last day to trade *cum* dividend on	Friday, 20 February
Shares will trade *ex* dividend from	Monday, 23 February
Record date	Friday, 27 February
Payment of dividend on	Monday, 2 March

Shareholders may not de-materialise or re-materialise their shares between Monday, 23 February 2009 and Friday, 27 February 2009, both days inclusive.

BASIS OF PREPARATION

The annual results have been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting policies applied in preparing these annual financial statements are consistent with those applied in the prior year and are in accordance with International Financial Reporting Standards. This announcement has been prepared in accordance with the Listings Requirements of the JSE Limited. These reviewed results have been reviewed by Austro Group Limited's auditors PKF (Jhb) Inc. Their unqualified review opinion is available for inspection at the company's registered office.

CHANGES TO THE BOARD OF DIRECTORS

During the year, five additional directors were added to the Board of Directors as part of strengthening the Board to support a listed entity.

The executive directors appointed were:

- JO Freed as Executive Director;
- RJ Friese as Chief Executive Officer; and
- MR Petzer as Financial Director.

The non-executive directors appointed were:

- AJ Phillips as a independent Non-executive Chairman; and
- N Davies as a independent Non-executive Director and Chairman of the Audit committee.

The previous Chairperson, DS Brouze, stood down as Chairman at his own request, but will stay on the Board as a Non-executive Director.

During the period, D Rothlisberger resigned as Executive Director and R Jonah resigned as Non-executive Director.

Subsequent to year end and with immediate effect JR Freed is appointed as an alternate Executive Director to JO Freed.

By order of the Board

Anthony John Phillips
Chairman

Robert Jürgen Friese
Chief Executive Officer

Johannesburg
19 November 2008

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