REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

AUSTRO GROUP LIMITED

FOR THE TWELVE MONTHS ENDED 31 AUGUST 2012

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

SUMMARY

Revenue	Headline loss per share	Net asset value per share
R417,5 million	**(5,3 cents)**	**91,7 cents**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Reviewed For the twelve months ended 31 August 2012 R'000	Audited For the twelve months ended 31 August 2011 R'000
Revenue	**417 531**	387 102
Cost of sales and services	**(289 374)**	(258 271)
Gross profit	**128 157**	128 831
Other operating income	**4 523**	1 877
Net operating expenses	**(149 714)**	(133 479)
Onerous lease expense effect	**(8 647)**	–
Operating expenses excluding onerous lease effect	**(141 067)**	(133 479)
Loss from operations before impairment of goodwill	**(17 034)**	(2 771)
Impairment of goodwill	**(134 197)**	–
Loss from operations before interest and taxation	**(151 231)**	(2 771)
Net interest received	**1 950**	2 862
Interest received	**6 015**	6 804
Interest paid	**(4 065)**	(3 942)
(Loss)/profit before taxation	**(149 281)**	91
Taxation (expense)/income	**(5 132)**	6 348
Total comprehensive (loss)/income for the year	**(154 413)**	6 439
Attributable to:		
Owners of Austro Group Limited	**(154 412)**	6 439
Non-controlling interest in subsidiary	**(1)**	–
Total comprehensive (loss)/income for the year	**(154 413)**	6 439

	Reviewed For the twelve months ended 31 August 2012 R'000	Audited For the twelve months ended 31 August 2011 R'000
Numbers of shares in issue	**395 292 923**	395 693 678
Weighted average number of shares	**395 294 018**	419 758 013
(Loss)/earnings per share and diluted (loss)/earnings per share (cents)	**(39,1)**	1,5
Headline (loss)/earnings per share and diluted headline (loss)/earnings per share (cents)	**(5,3)**	1,6
Dividend per share (cents)	**–**	2,0
Capital distribution declared out of share premium (cents)	**–**	2,0
Reconciliation of (loss)/income to headline (loss)/earnings:		
Total comprehensive (loss)/income for the year	**(154 412)**	6 439
Net (profit)/loss on disposal of plant and equipment	**(693)**	239
Impairment of goodwill	**134 197**	–
Tax effect thereof	**97**	(33)
Headline (loss)/earnings	**(20 811)**	6 645

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Reviewed As at 31 August 2012 R'000	Audited As at 31 August 2011 R'000
ASSETS		
Non-current assets	**152 650**	276 959
Plant and equipment	**43 043**	38 018
Goodwill	**95 544**	229 742
Loans receivable	**–**	482
Deferred taxation	**14 063**	8 717
Current assets	**341 453**	304 347
Inventories	**197 117**	177 869
Trade and other receivables	**105 384**	76 025
Taxation receivable	**4 537**	1 465
Cash and cash equivalents	**34 415**	48 988
Total assets	**494 103**	581 306
EQUITY AND LIABILITIES		
Capital and reserves	**362 493**	517 110
Stated capital	**295 496**	–
Share capital	**–**	4
Share premium	**–**	295 697
Non-controlling interest in subsidiary	**(1)**	–
Accumulated profits	**66 998**	221 409
Non-current liabilities	**17 554**	–
Interest bearing liabilities	**5 263**	–
Provision for onerous lease	**12 291**	–
Current liabilities	**114 056**	64 196
Current portion of interest free liabilities	**–**	3 426
Current portion of interest bearing liabilities	**2 523**	–
Current portion of provision for onerous lease	**967**	–
Trade and other payables	**110 559**	60 662
Taxation payable	**7**	108
Total equity and liabilities	**494 103**	581 306
Net asset value per share (cents)	**91,7**	130,7
Tangible net asset value per share (cents)	**67,5**	72,6

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Reviewed For the twelve months ended 31 August 2012 R'000	Audited For the twelve months ended 31 August 2011 R'000
Cash inflows from operating activities	**3 744**	65 980
Cash generated by operations	**15 445**	79 859
Interest received	**6 015**	6 804
Interest paid	**(4 065)**	(3 942)
Dividends paid	**–**	(8 628)
Taxation paid	**(13 651)**	(8 113)
Cash outflows from investing activities	**(22 472)**	(4 282)
Cash inflows/(outflows) from financing activities	**4 155**	(29 832)
Net (decrease)/increase in cash and cash equivalents	**(14 573)**	31 866
Cash and cash equivalents at beginning of year	**48 988**	17 122
Cash and cash equivalents at end of year	**34 415**	48 988

CONDENSED SEGMENTAL ANALYSIS

	Reviewed For the twelve months ended 31 August 2012 R'000	Audited For the twelve months ended 31 August 2011 R'000
Revenue (external)		
Power	**257 586**	250 904
Gross	**257 586**	251 199
Inter-segment elimination	**–**	(295)
Wood	**159 945**	136 198
Gross	**160 443**	136 198
Inter-segment elimination	**(498)**	–
Total	**417 531**	387 102
(Loss)/profit before tax		
Power	**(74 750)**	9 175
Gross	**(74 750)**	9 470
Inter-segment elimination	**–**	(295)
Wood	**(74 531)**	(9 084)
Gross	**(74 421)**	(9 084)
Inter-segment elimination	**(110)**	–
Total	**(149 281)**	91
Taxation (expense)/income	**(5 132)**	6 348
Power	**(6 262)**	620
Wood	**1 130**	5 728
Capital and reserves		
Power	**320 520**	427 171
Assets	**386 225**	463 749
Liabilities	**(65 705)**	(36 578)
Wood	**41 973**	89 939
Assets	**107 878**	117 557
Liabilities	**(65 905)**	(27 618)
Total	**362 493**	517 110

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Reviewed For the twelve months ended 31 August 2012 R'000	Audited For the twelve months ended 31 August 2011 R'000
Stated capital	**295 497**	295 701
Balance at beginning of year	**295 701**	322 107
Share premium reduction due to share buy-back	**(204)**	(18 492)
Share premium reduction due to capital distribution declared out of share premium	**–**	(7 914)
Accumulated profits	**66 996**	221 409
Balance at beginning of year	**221 409**	223 598
Total comprehensive (loss)/income for year	**(154 412)**	6 439
Non-controlling interest in subsidiary	**(1)**	–
Dividends declared and paid	**–**	(8 628)
Total capital and reserves	**362 493**	517 110

COMMENTARY

INTRODUCTION

Austro Group Limited 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 markets. The Group services clients ranging from heavy industrial, mining and construction groups to wholesalers, retailers and manufacturers.

The Group 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 structure (wholly-owned subsidiaries):

- New Way Power (Pty) Limited ("Power") housing the energy and power related interests of the Group.
- Austro (Pty) Limited {previously Austro Wood (Pty) Limited} ("Wood") housing the woodworking and related interests of the Group.

The core of these businesses has been in existence for over 30 years.

FINANCIAL REVIEW

Consolidated statements of comprehensive income

Revenue for the year ended 31 August 2012 of R417,5 million increased by 7,9% compared to the previous year of R387,1 million. The edging business acquired by Wood contributed R15,2 million of the R30,4 million increase.

The Group is targeting markets in Southern Africa and in the rest of Africa to increase growth further.

The Power division's revenue is now 61,7% of total revenue (2011: 64,8%).

The Wood division's revenue is now 38,3% of total revenue (2011: 35,2%).

The increase in other operating income of 141% is mainly due to the increase in agency commission generated from the Wood division and the sub-lease rental income of the premises with the onerous lease.

The Group's year-end results have been impacted negatively by the following items:

The gross profit percentage decreased by 2,6% to 30,7% (2011: 33,3%); the Group raised an inventory provision of R22,9 million in the current year due to slow-moving inventory.

The Wood division provided for an onerous lease for one of its premises, the division moved out of the building which has been sub-let. The pre-tax impact of the onerous lease provision is a net present value of R13,2 million and has been softened by the reversal of the lease smoothing accrual of R4,6 million relating to the premises, with a net pre-tax expense effect of R8,6 million. The Wood division had a substantial increase in its operating expenses.

In accordance with IAS 36 (Impairment of Assets), the Group tests goodwill for impairment. This is based on cash forecasts for the next five years which are based on the cash-generating units' results and on management forecasts. The forecasted revenue growth decreased due to lower actual results and the economic outlook. The valuation resulted in the impairment of R134,2 million (58,4%) of the Group's acquired goodwill of R229,7 million.

The goodwill valuation for the Power cash-generating unit resulted in an impairment of R97,1 million (50,4%) of the goodwill balance of R192,6 million as at 31 August 2011, and 100% of the Wood goodwill balance of R37,1 million as at 31 August 2011 was impaired. No additional goodwill impairment was required for the current year ended 31 August 2012 from the goodwill impairment reported for the six months ended 29 February 2012.

The Group made a loss of R8,4 million before tax, interest, goodwill impairment and the onerous lease expense effect, compared to the previous year's loss of R2,8 million.

Consolidated statements of financial position

The Group's interest free long-term liability of R3,4 million has been paid. Wood financed plant and vehicles which gave rise to an interest bearing liability of R7,8 million, of which R2,5 million is current.

The Group has R34,4 million cash and cash equivalents on hand. The major contributor to the decrease in cash and cash equivalents of R14,6 million, to R34,4 million (2011: R49,0 million), is mainly due to the edging businesses acquired and taxation paid for the Power division.

POST-STATEMENT OF FINANCIAL POSITION

There have been no material events subsequent to the end of the year that have not been taken account of in the financial statements for the year.

ACQUISITION OF BUSINESSES

The Group acquired the businesses of EdgePro (Pty) Limited and EdgePro Natal (Pty) Limited, effective 1 September 2011. The JSE issued a ruling that these acquisitions did not need to be aggregated in terms of Section 9 of the Listings Requirements and, accordingly, no announcement was released on SENS. The principal assets acquired were inventories and no goodwill arose from these acquisitions. The total purchase consideration for these businesses was R10,03 million settled in cash. These acquisitions were made in support of Austro's strategy, allowing the Wood division to supply edging to existing and new customers.

These acquisitions contributed R15,2 million in revenue, but made a loss before taxation of R2,3 million for the Wood edging division in the current financial year.

OPERATING REVIEW

Power

The Power division's revenue has increased by 2,7% to R257,6 million compared to the previous year (2011: R250,9 million).

The Power division raised an inventory provision of R13,1 million in the current year, for slow-moving inventory.

Operating expenses decreased by 10,6% to R71,5 million compared to the previous year (2011: R80,0 million) this is mainly due to the related cost-savings after relocating and integrating the Quad and Quinlec businesses into Power.

The Power division made a profit before tax and goodwill impairment of R22,3 million (2011: R9,2 million).

The higher tax expense of R7,6 million for Power is due to a higher taxable income compared to the previous year (2011: R0,6 million tax income).

Wood

The Wood division's revenue increased by 17,4% to R159,9 million compared to the previous year (2011: R136,2 million). The edging business acquired by Wood contributed R15,2 million of the R23,7 million increase. Management anticipates that Wood will continue to increase its market share in South Africa and initiated expansion into the rest of Africa.

The Wood division raised an inventory provision of R9,8 million in the current year, for slow-moving inventory.

Operating expenses increased by 46,2% to R78,2 million (2011: R53,5 million); this is mainly due to the effect of the onerous lease expense of R8,6 million and an increase of R16,1 million in employee costs and operating expenses which were incurred to align the company for its planned future growth.

The Wood division made a loss before tax and goodwill impairment of R37,4 million (2011: R9,1 million loss).

A deferred tax asset has not been raised on the taxable loss of the Wood division. The goodwill impairment is a non-taxable item and the onerous lease provision has been added back as a timing difference.

PROSPECTS

The Southern African economic outlook for the industrial sector remains weak. The management teams of the two divisions remain focused on growing revenue out of new African markets.

The management team of the Power division has focused on delivering quality service and products to their customers and the Wood division has focused on expanding product offering into existing markets and deepening the penetration of the tooling and supply business unit into areas not previously covered.

DIVIDEND DISTRIBUTION

The directors do not propose that a dividend be declared.

BASIS OF PREPARATION

These reviewed condensed consolidated year-end results were released on SENS on 19 November 2012 and published on 20 November 2012 and have been prepared by Tania le Roux (Chartered Accountant (SA)), under the supervision of the Austro Group Limited Board.

The report has been prepared in compliance with International Financial Reporting Standards (IAS 34: Interim Financial Reporting), the AC500 Series of Interpretation, the Companies Act, 2008 (71 of 2008) and the Listings Requirements of the JSE Limited. The accounting policies applied in preparing this report, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards ("IFRS") and are consistent to those applied in the previous audited annual financial statements for the year ended 31 August 2011. The condensed consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated.

These consolidated annual financial results have been reviewed by PKF (Jhb) Inc. Their unqualified review opinion is available for inspection at Austro Group Limited's registered address.

CHANGES TO THE BOARD OF DIRECTORS

Resignation: Philip Sigsworth (29 November 2011)
Appointment: Tania le Roux (1 January 2012)
Resignation: Tania le Roux (31 August 2012)

By order of the Board

AJ Phillips
Chairman

U Schäckermann
Non-executive director

Johannesburg
31 October 2012

Non-executive directors: AJ Phillips* (Chairman), DS Brouze, GS Nzalo*, U Schäckermann* (German) (*Independent)
Executive directors: JO Freed, JR Freed (Alternate to JO Freed), C Jacobs
Registration number: 2001/029771/06
Business/Registered address: 1125 Leader Avenue, Stormill Ext 4, Roodepoort, Johannesburg, 1709
Business postal address: PO Box 1914, Florida, Johannesburg, 1710
Company secretary: Probity Business Services (Proprietary) Limited
Transfer secretaries: Computershare Investor Services (Proprietary) Limited
Sponsor: Java Capital

JAVA CAPITAL