MAZOR'S GLASS OPERATION PROVIDES LIGHT IN TOUGH YEAR

JSE construction materials supplier, Mazor Group ("Mazor"), struggled with a drop in demand and tighter margins during the six months to August 2010 ("the period") to return significantly lower results year-on-year. However, the group's relatively new Glass division enjoyed an improvement in sales volumes and diversified into the growth region of the Eastern Cape. The second acquisition during the period of 50% of Hulamin Business Systems ("HBS") – this time in the Aluminium division - successfully expanded Mazor's product range and geographical footprint.

Group revenue of R83 million more than halved from R180 million in the comparative period. This translated into a 77,9% decrease in net profit to R7,1 million and earnings per share dropped to 5,88 cents from 29,16 cents.

CEO Ronnie Mazor attributes the results to the embattled performances of the core Steel and Aluminium divisions, which posted substantially reduced revenues and operating profits. "The group was particularly impacted by the sluggish Western Cape economy, our traditional base, although tough conditions the country over fuelled intense competition and induced significant price pressure and margin squeeze," he says. In response the group has rationalised its operations and workforce to streamline its overheads. He adds: "Current excess capacity in the market is only expected to correct when there is an increase in sustainable contracts coming to book."

He points out that locally there are the first signs of recovery in the market with increased activity in the latter half of the period. Until these concretise into a real uptick, the group has in hand contracts for financially secure private developments in Namibia, Nigeria and Malawi. "Apart from boosting revenues and profitability with higher margin contracts, the cross-border work will further expose the Mazor brand to enable us to exploit opportunities across Africa."

He highlights the compelling cross-selling opportunities the HBS acquisition offers for the Aluminium division. "HBS has a geographical presence in all major cities and its strong customer base spans the residential, commercial and industrial markets."

He is pleased with the performance of the young *Glass* operation, initiated through acquisitions in 2008, which upped revenue by almost 50% on the same period in 2009. Ronnie Mazor says higher volumes during the period helped drive growth, supported by the operation's steady seizing of market share. He says: "*Glass* supplies markets other than the beleaguered construction sector including motor, industrial and furniture, which offers a more diversified client base and revenue stream."

Glass was further bolstered during the period by the acquisition of Glass Unlimited in Port Elizabeth for a small cash payment and shares in the group. Ronnie Mazor says the acquisition's significance to Mazor lies in its entrenched base in a high growth region, which further extends Mazor's national footprint. "A widespread presence all over South Africa is important to mitigate against region-specific market depression."

Ronnie Mazor is looking cautiously forward to macro-economic conditions continuing to improve in the second half of the year. He says an interest rate cycle at a record low with the possibility of further cuts has revived developers' interest in new building, to the group's benefit. "Our lean infrastructure and strict cost discipline balanced with a prudent retention of capacity has positioned the group well for an upturn in the economy." He points to Africa as a growth hub and specifically the promise of new retail development with its demand for new shops and warehouses.

Mazor's share closed yesterday at R1,64.

Ends.

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