MAZOR SHORES UP STRENGTH IN TOUGH TIMES

As anticipated JSE construction materials supplier - Mazor Group ("Mazor") - felt keenly the impact of a hard-hit construction sector and reported depressed results for the year to February 2011**. Despite the tough market conditions the group's diversification strategy continued gaining traction with the acquisitio**ns **of a further glass supplier, Glass Unlimited, and a 50% stake in established fenestration systems supplier Hulamin Business Systems ("HBS"). The acquisitions bolstered the *Glass* and *Aluminium* operations, exposing the group to strong new customer bases in all major cities in the residential, commercial and industrial markets.**

Overall group revenue declined 31,7% to R186,8 million from R273,5 million. Operating profit fell to R1,7 million from R46,0 million, which translated to a 72,4% drop in earnings per share to 8,2 cents compared to 29,7 cents for the previous year. The group declared a dividend of 2,8 cents per share.

CEO Ronnie Mazor attributes the disappointing performance to intensifying competition in the waning construction sector, especially the leisure and retail markets, and resultant margin squeeze. He points out that the group's traditional base, the Western Cape, was particularly badly affected with the contract pool virtually dried up. However, he highlights some positives. "We cut costs year-on-year through strict financial controls without compromising capacity." And while performances across all operations were subdued the Steel and new Glass divisions recorded what he says is "satisfying growth under the circumstances".

He adds: "*Steel* returned a profit driven by a wide geographical footprint, a slight upswing in demand and lower operational costs after we rationalised overheads."

The new *Glass* operation was the group's stellar performer, although Ronnie Mazor points out that growth here was off a lower base with the young division comprising formerly underperforming acquisitions bought with the intention of turnaround. Revenue was up 47,4% and operating losses were further reduced by 21% to R7,6 million. Ronnie Mazor say: "We have strengthened the division's growth prospects with investment in new equipment and technology as well as expansion into the Eastern Cape through a new branch in East London." He explains *Glass* is poised for growth as soon as there is an upturn in the economy, backed by its availability of capacity and entrenched bases in high growth regions. Further he says: "The successful diversification into *Glass* offers access to new income streams for the group including motor, industrial and furniture."

Aluminium was the worst hit by the slowdown in the construction sector, with revenue down 68% and operating profit down 74%. On the upside HBS' healthy performance went some way to countering this and buoyed revenue. "We have successfully turned the business to profit and are seeing the benefits from entry into new markets and cross-selling opportunities," says Ronnie Mazor.

Expansion into Africa has proved successful to date and is ongoing, although Ronnie Mazor is quick to point out that this is extremely cautious. "We successfully secured contracts in Angola, Namibia and the Seychelles during the period, which bode well for our continued foray onto the continent albeit with overriding prudence."

He expects trading conditions to remain as difficult for the rest of 2011, but is cautiously optimistic that 2012 and 2013 will bring improvement. In addition the beleaguered Western Cape economy is beginning to show signs of slow recovery, which should increase activity in Mazor's primary market.

In the meantime Ronnie Mazor says the group will focus on steering its product offering from manufacturing more towards materials supply where higher margin opportunities are anticipated. "We have in place the customer bases, structures, plant and capacity to capitalise quickly and effectively on an upturn in the economy," he concludes.

Mazor's share closed yesterday at R1,40.

Ends.

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