31 May 2013

Company Announcements Office
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

EARNINGS UPDATE

Dear Sir/Madam

Further to the announcement released on 28 February 2013 stating a consolidated half year loss before tax of $3,348,665 which included a stock write down of $1,636,000 to be taken at 31 December 2012 the Board of MBD Corporation Limited (**ASX:MBD**) (**Marbletrend**) provides the following update.

As a result of the continued downturn in new housing construction (particularly in Victoria) and subdued consumer spending affecting renovation activity, Marbletrend now expects to post a consolidated loss for the period ending 30 June 2013 of between $4.5m and $5.0m. This result includes one-time charges of around $2.1m of stock write-down's that addressed the pipeline of new products with the need to wind out of "end of cycle" products taken at 31 December 2012 and after accounting for prior year irregularities.

Goodwill Impairment

Having reviewed a preliminary reassessment of growth assumptions, weighted average cost of capital and discounted cash flow calculations, Marbletrend anticipates that a non-cash impairment charge of $2.0m to $2.6m will also be incurred in the second half of the year to June 2013.

Trading Update

The Board advises that the contingency plans executed to redress the cost base of the company have met forecasts and we are confident of maintaining the lower cost base and being able to grow our sales in FY14, however we note that sales up to April for Marbletrend Pty Ltd (**MPL**) have remained subdued. This is due to retailers continuing to de-stock and lower their inventories across all categories.

In the latter part of April we observed that this practice diminished as inventories settled and normal ordering patterns appear to have recommenced. We anticipate May will result in stronger sales and with our cost base consolidating, we are forecasting a return to trading profit.

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Notwithstanding subdued sales, MPL has maintained and exceeded budgeted gross margins reflecting a better range of product mix including new product lines being sold through. We believe the work we have put into our new product pipeline as well as negotiating better buying prices from our suppliers will continue to allow us to hold strong margins even in the face of some sporadic irrational market pricing.

Finally, we have had confirmed by Australia's leading home improvement retailer, Bunnings, that we have had our important shower and shower base categories extended leading to additional annualized sales revenue. The win is testament to the strategy we put in place eighteen months ago to lift the quality and design of our ranges and ensure we have a strong new product pipeline.

Supply Chain Innovation

In April we completed a trial of consolidating inventory in Shanghai, China. We filled mixed containers of products and sent them directly to our interstate locations eliminating the need for this cargo to come through our Melbourne warehouse to be redistributed domestically. The success of the trial means we will now move forward and implement a '3PL' warehousing model in China with our freight forwarding partners. This 'step change' in the supply chain from China will lead to substantial savings over the next few years.

Citywide Project

The Citywide project consists of two trading entities being:

- Citywide Building Supplies Pty Ltd (**CBS**); and
- Citywide Concrete Pty Ltd (**CC**).

(i) CBS

CBS which sells a range of bulk sand and screenings continues to trade strongly. As the site continues to gain a higher profile, we expect sales and profitability will continue to grow strongly.

(ii) CC

We are pleased to report that the Port Melbourne based concrete plant has now commenced production and anticipate that we will be able to leverage off the strong pent up demand we have from the work we have been doing in cultivating customers in the CBD and surrounding markets. Initial sales have been stronger than forecast and we believe this trend will continue predicated on our current forward orders.

Banking Covenants

As a result of the impact of lower EBITDA as previously announced to the market, Marbletrend has breached the Gearing Ratio covenant under its banking facility agreements. The Gearing Ratio is the relationship between i) Net Debt plus Bank Guarantees and ii) rolling 12 months EBITDA, and the covenant under the banking facility agreements is to remain less than 2.75:1.

Marbletrend is in discussion with its financiers on these matters in conjunction with an extension of the facilities. A waiver of the Gearing Ratio covenant breach and amendments to the covenants to apply going forward are being sought.

The Company is confident that an agreement on these matters will be reached with its financiers prior to finalisation of its financial statements for the year ending 30 June 2013.

Enquiries contact:

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