

20th December 2010

Dear Shareholder

Half Year Results for Mittenmet Limited

Please find below a summary of the Mittenmet Limited financial results for the half year ended 31 October 2010.

The 31 October half year financial report has been issued in accordance with the Corporation Act, which required Mittenmet to align its financial year end to that of Metcash Limited – being 30 April. If Metcash Trading exercises its right to require Mittenmet to redeem all the Convertibles Redeemable Preference Shares in either 2012 or 2013 (effectively acquiring the remaining 49.9% of Mittenmet), the Redemption Amount will be based on the results for the 12 month period ending 30 June. These details are outlined in the Scheme Booklet.

Overview of Financial Performance

	Half Year 31 Oct 2010 \$'m
Revenue from Sales of Goods & Other Items	401.7
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	6.7
Earnings before Interest and Tax (EBIT)	5.8
Cash from operating activities	1.4
Total Equity	60.8

- Warehouse and chargeback sales yet to benefit from increased warehouse range, improvements with distribution centres, revitalised marketing and improved pricing from suppliers.
- Trade sales performing well until impact of wet weather.
- EBIT percentage to sales was 1.66% - business target is 3%.
- Final subscription price paid by Metcash for 50.1% of Mittenmet was \$59.115m, which brings the total equity of the group to \$60.8m – a significant improvement compared to prior years.

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Operational Performance



- Moved from 'Stabilise' phase to 'Change The Game', with key focus on:
 - Retaining and growing store network
 - Modernise supply chain
 - Improving merchandise and marketing programs
- The "Change the Game" phase includes:
 - Retained 12 stores that had been approached by competitors
 - Creating a Mitre 10 brand that is consistent throughout the network:
 - the initial move is to standardise "Blue and White" branding
 - Progressively introduce 'Engineered Standards' to all Mitre 10 Distribution centres
 - This will take approximately 18 months to complete
 - Derrimut (Victoria) scheduled for 2011 completion
 - Project underway to assess the establishment of National Distribution Centre (NDC) for 'slow movers'
 - With the Mitre 10 Group now stabilised, significant work is being undertaken with suppliers on range, national terms and improved marketing and merchandise opportunities.
 - Warehouse range is in progress of being extended to meet store and end-consumer needs.
 - Approximately 2,000 SKU shortfall has been identified, of which 1100 SKUs have already been introduced into the warehouse and a further 900 SKUs planned for the second half.
 - The new retail trading terms package, which has been launched to all stores.
 - Establishment of a National Advisory Council of members.

The Board is pleased with the significant amount of work that has been undertaken since the alliance with Metcash and that the business initiatives are progressing as planned.

In conclusion, it is critical that Shareholders/Members continue with their full support of all the initiatives embarked on by the group, to become the 'champion of the independent' hardware retail and trade markets in Australia.

Yours sincerely

Lance Collins
Chairman

Mark Laidlaw
Chief Executive Officer