



2009 Annual Meeting, Northern Club, Auckland, 17th November 2009

CEO's Address

As Ted has said this year has not been without some major challenges not only to our company but the overall business environment, in addition to our growing pains.

Whilst we met the timeline to get our new PET bottling facility in South Australia up and running, like most new plant developments it took slightly longer to realise the planned efficiencies that we have in place today. During the last 6 months we have also utilised the significant juice industry experience of our Australian Director Gavin Clifford to further enhance our operational performance.

As you are aware in the last financial year we also invested in a new IT platform for New Zealand and Australia. This has already added significant value to the flow of management information and enhances our decision support capabilities. Systems are an important part of any business and we are constantly making improvements that give us better information.

The beverage industry has gone through rapid rationalisation, particularly in the last twelve months and as a result of an international decision we lost the RedBull Distribution contract. We will continue to look for and evaluate other beverage brands that meet our criteria to take advantage of our considerable distribution network.

The global recession has made it a tough year for the business and it is reflected in our annual results but we have adapted and come out better, leaner and sharper. And on that note I now want to look to the future.

A real strength of the Charlie's business has always been our ability to react quickly to opportunities and change. This is exactly what we have done to keep the business on track and be in a strong position to go forward.

As we felt the effects of the recession we undertook a major internal review and took significant costs out of the business in all areas to meet the new climate and business model. These savings amount to \$2.5million per annum. We have also started on a debt

reduction plan to strengthen our balance sheet. From July 2009 these changes created a different cost structure, significantly reduced from a year ago.

Despite the challenges I have outlined Charlie's Group has a successful business that has achieved high growth since listing. Gross sales have grown 278%, going from \$9million in 2005 to \$34 million in the year ended 30 June 2009. As we all know this level of growth requires significant investment in time and money and we now have:

1. Dedicated manufacturing facilities in New Zealand and Australia that we control.
2. The control of a valuable, extensive distribution platform in New Zealand and Australia.
3. Two market leading brands, Charlie's and Phoenix Organics.

Charlie's Group strategy going forward is to use this platform to generate sustainable profitability for its shareholders.

Whilst growth is still important to the group we now have a strong focus on profitability to bring balance to our strategy and demonstrate that the Charlie's group story is sustainable as a well managed business in to the future.

In summary, our internal focus is to consolidate and take a conservative approach to the new financial year in order to generate profits regardless of the challenges within the current economic climate.

One thing we can all be proud of during these turbulent 12 months is that our brands and market position have remained robust in the categories that they operate in. Our New Zealand market share grew slightly over this period, Export sales grew 21% and sales in Australia grew 31% on the previous financial year.

Once again the quality of our products has been recognised at the New Zealand Juice & Beverage Association awards with our Phoenix Guava & Apple juice taking out the Supreme Beverage award for overall excellence.

Export

Demand for our beverages continues to flow in from further afield and our brands are stocked in many notable, high profile outlets across our 11 export markets. South Korea is our biggest market where we have distribution in the large Coffee Bean & Tea Leaf chain and more recently Haagen Daaz ice cream retail outlets. Our presence and sales in the Cold Storage supermarket chain in Singapore and Hong Kong promises greater distribution. Following a successful trial we now have a permanent listing as an ongoing supplier which we continue to develop.

I am very excited to announce today that we have been invited to be the beverage supplier to the New Zealand pavilion at the World Expo 2010 in Shanghai, China. This gives us a

fantastic platform to showcase our brands in the China region and establish them in that important market.

This is a unique opportunity to have our Phoenix Organics brand showcased in what will be a significant international event and we look forward to maximising every possible opportunity from this.

Outlook

The first quarter trading of our financial year is traditionally a quieter period due to the colder months yet I am pleased to say that we are achieving similar sales results from our brands as last year, but on a much reduced cost base. With summer just around the corner we are confident in achieving our financial targets over our higher volume trading months. As the Chairman has already commented, our aim is to achieve a profit for this financial year.

Going forward we will continue to support and grow the Charlie's and Phoenix brands in all our existing markets both here and overseas.

Australia is an extremely important market to us with a much larger population and higher juice consumption rate per person than New Zealand. Since the launch of the Charlie's Brand in October 2008 the Australian route business has now grown to represent approximately 50% of our New Zealand monthly route sales. The current growth rates indicate that it will be larger than our route business here by 2011.

Growth YTD in Australia is growing at 48% and we see big opportunities here as our customer base grows and distribution of our brands widen.

Australia has become more of a focus for the company and the plan is to support this market more by increasing the sales and distribution teams further and increasing our marketing activity as our profit and cash flow allow.

To conclude there is an old cliché that when the going gets tough, the tough get going and if you spoke to any one of our staff or Board of Director's in the last 12 months they would agree that this would be an accurate statement of how we have approached this period. We are a young, vibrant company with lots of energy and we are always up to a challenge. We are determined and committed to making this a successful business for all our stakeholders.