

18 November 2008

2008 ANNUAL MEETING OF SHAREHOLDERS



CHIEF EXECUTIVE OFFICER'S ADDRESS

Good afternoon ladies and gentlemen and welcome to today's meeting. Thank you for attending and for your interest and support of Charlie's Group as we continue our journey to be a leader in the premium beverage market.

As Ted has said, with hard work, good management, sound strategic leadership and our unique Charlie's culture, the potential for our company is unlimited.

We're pleased to be able to share with you today the highlights from last year as well as an update for the current year, including some exciting new product and packaging initiatives.

Charlie's Group – An Operational Overview

Being able to deliver well branded, premium beverages which appeal to our consumers is essential to our success.

Therefore, we have built our business model upon the ability to control the production process and distribution chain from orchard to consumer, to ensure we meet the high expectations of both our consumers and customers.

From orchard to consumer

With the acquisition in 2007 of the Gallard and Mirage beverage manufacturing assets and the commencement of commercial production at our new Australian facility in April this year, we have now vertically integrated our business.

Last year, we outlined the reasons for this investment. And already we are seeing financial and operational benefits, including:

- Reduced costs of production for Charlie's product, leading to an improvement in gross margin that is in line with industry standards;
- Entry of the Charlie's brand into the Australian beverage market in Oct 2008 which was previously prevented due to third party bottling contracts;
- Benefitting from economies of scale as we increase volumes;
- Long term security of fruit supply; and
- Greater control over packaging and product quality and the ability to innovate in a timely manner.

We are now delighted to be standing here, one year on, with full control across our entire production and distribution chain.

Focus on profitability

Our Reinvestment for Growth strategy has been essential in the development of our business model and in establishing the strong platform we now have in place. We are now moving to balance this with an increased focus on profitability.

At an operational level, our focus is on the following three key areas:

1. Increase profitable sales
2. Building our brands and
3. Driving Innovation and new product development

Increase Profitable Sales

Our first focus is on achieving profitable sales.

Charlie's achieved record gross sales again in 2008, with a 24% year on year increase to \$33 million. This continues our unbroken record of year on year gross sales growth since listing.

We are extremely proud to have grown our Gross sales from \$9 million to \$33 million, or 270%, in a space of only three years.

So what is driving this growth? Four main factors ...

1. Widening distribution in New Zealand
2. Growth in Australia
3. Continued growth into existing and new export markets; and
4. And the development and launch of new products

Widening distribution in New Zealand

We are widening distribution in New Zealand by developing relationships with key customers & distributors in the route, hospitality and supermarket channels. In 2008, the Charlie's team opened a further 407 new accounts in New Zealand, in addition to those opened by third party distributors and we now have our products stocked by more than 3,500 different customers nationwide.

When we first listed we had 115 fridges throughout New Zealand. In 2008, we increased our stronghold on fridge space and listings in premium New Zealand outlets with a total of

1,181 as at 31 October 2008. These fridges increase our brand presence and provide control of shelf space in key outlets and are an important performance measure for the Group.

Aussie, Aussie, Aussie

Aussie, Aussie, Aussie!

Phoenix was our only brand sold in Australia until we launched Charlie's in October this year.

In 2008, our Australian Phoenix Organic sales grew by 47% and we had branded fridges placed into 366 key premium Route outlets as at the end of October.

We expect to see the Australian market make even larger gains this year following the introduction of the Charlie's range. As of today, Charlie's had been sold into 596 outlets – or a gain of 120 per week in the first five weeks since launch.

We expect to sign up 100 new customers per week over the coming few months as we roll out Charlie's into the Phoenix network.

The Charlie's brand entry into the Australian market is a carefully considered approach, and at this stage we are focusing on sales and distribution rather than above the line marketing campaigns.

Recently we have established relationships with four new hub distributors, based in Tasmania, Queensland, and South Australia respectively. Combined with our existing partnerships in Victoria and New South Wales, this will provide us with an increased distribution network throughout the East and South coasts and will allow our brands to reach more Australians than ever before.

Overseas markets increasingly important

The International market continues to be the largest opportunity for our company. 2008 saw the Group continue its move into markets outside of New Zealand, and together with Australia, these markets accounted for 15% of our total sales during the last financial year.

Asia remains our most significant opportunity and recently we were very pleased to have a range of our products accepted by the Dairy Farm Group, a leading pan-Asian retailer with more than 4,000 outlets. A first order for both our Charlie's and Phoenix brands has been placed, and we hope to have this available for sale in Singapore before Christmas. If the range proves successful in Singapore, we will be working with the Dairy Farm Group to expand this for other markets throughout Asia.

We continue to be excited about the possibilities that keep arising across all continents, but we are also realistic in terms of where our focus needs to be, and our international goals for 2009 will be based on growing our business throughout Australia and Asia.

Sales benefiting from New Product Development

Continual innovation and new product development is also a key factor in increasing profitable sales. Charlie's started with a single range of honest, not from concentrate juices. We now have 3 different brands, with more than 90 different products. We will talk more about our ongoing innovation shortly.

Strong improvement in Gross Margins

We have made a strong improvement in our Gross Margins through close attention to our product mix and our vertical integration strategy. The ability to produce our Charlie's products through our Australian facility has had a substantial impact on Gross Margins, with immediate effect from the last quarter of 2008 when production commenced.

Gross Margins have improved from 33% prior to listing in July 2005 to 47% for year ended June 2008, and is now in line with industry standards.

Building Brands

Our second key operational focus is to leverage the equity we have created in our brands.

We invested significantly in marketing during the 2008 year, including producing advertising campaigns for Charlie's Soda Co and Phoenix Organics, as well as the annual Phoenix Fest free outdoor music event which was enjoyed by over 15,000 people and dubbed the music event of the year by many of our consumers and media.

Our products have also been recognised time and time again at the NZ Beverage Awards. In 2007, our brands won 10 out of 13 categories and just recently, we were awarded a further four wins in the 2008 Awards, making Charlie's Group the winner of the most awards for the second year in a row.

However, we cannot rest on our laurels. We continue to work on strong marketing programmes for each of our brands to ensure we keep them top of mind and relevant to our consumers and customers. We strive to make our marketing dollars work hard and pride ourselves on creating a media and consumer buzz around our campaigns that deliver far more than we pay for.

Not only has our new Completely Fruity TV campaign entertained consumers across the country, it has got them and the media talking about our brand. It shows the lengths that the founders of Charlie's will go to, to ensure our continued growth and success. In a cluttered media environment it takes this sort of commitment and this sort of unconventional creativity to ensure your message and brand get through. We have license to market our brands like this because we have a fantastic product to back it up.

Our innovative campaigns, sampling programmes – this year to more than 300,000 people over the summer months - and the money we invest in our marketing, drives improved brand awareness, market share and sales for the company.

Drive Innovation and new product development

Our third key focus is on developing innovative products and brands that meet consumer demand.

Innovation is the art of turning ideas into marketable and profitable products. Charlie's has the flexibility, and now the capability, to quickly turn our product ideas into reality, whilst larger companies are still fighting their way through their bureaucracy and testing.

Soda Co and Quenchers

In 2008, we launched two new product ranges to the Charlie's stable - Charlie's Soda Co. – a range of healthy grown up fruit sodas and Charlie's Quenchers, a range of beverages inspired by old fashioned lemonades. Both have cemented leadership positions and have been fantastic additions to our portfolio. We will be extending them both in 2009.

Square bottle initiative

Packaging is critical in the beverage business. It is the billboard most responsible for attracting the attention of a potential consumer. In the last quarter of 2008, we introduced unique square bottles for all Charlie's branded products.

The bottles have given Charlie's a strong and identifiable presence on shelf and have been widely accepted by our customers and consumers.

As an added benefit, the square shape has allowed us to pack 30% more product into containers which reduces freight costs and our impact on the environment.

Phoenix Range Expansion

The Phoenix range has seen the introduction of a number of new products and flavours. We introduced two new soft drinks at the beginning of the year with the old fashioned Creaming Soda striking a nostalgic chord with consumers.

Looking forward, our focus for Phoenix is on a range of 'Limited Release' juices with the emphasis on hard to get juices such as the small quantity of Sicilian Organic Blood Orange Juice we have managed to secure recently. Look out for these wine label inspired products in high end café's around the country from now.

Launch of Charlie's Vitamin Water

Earlier this month we announced our entrance into the Vitamin Water category with the launch of Charlie's Vitamin Water.

Vitamin enhanced waters are seen by many as the new growth category in the drinks sector with possibly greater potential than energy drinks. Health and function is driving this trend and Charlie's Vitamin Water is set to take a significant slice with our range of premium packaged great tasting options.

Lower in sugar than traditional energy drinks, Charlie's Vitamin Water will come in four variants formulated to meet different consumer needs: Defence, Antioxidant, Multivitamin & Energy.

Available in December, Charlie's Vitamin Water' will be 'Prescribed Drinking' this summer as consumers join the world wide trend towards waters loaded with essential vitamins and minerals.

Being Green

Our environment and the community in which we live is an on-going focus for us. We have already discussed the space savings of the new square bottle which reduce our environmental impact. Over the past 12 months we have upgraded our entire car fleet for fuel efficient low carbon emitting Mini's and VW Golf diesels.

Today we are also pleased to announce a second new packaging initiative.

A change for good

As beverage manufacturers we must take some responsibility for the environmental impact our packaging materials have.

One solution in development is to use PLA bottles. PLA or polymerised lactic acid is a resin derived from a renewable sources like corn and other plant fibres rather than petrochemicals that normal PET plastic is made from.

PLA is made from a plentiful non-depleting resource and uses up to 50% less carbon to produce. Because PLA has the potential to biodegrade quickly it is seen as a possible solution to the growing mountains of plastic packaging waste around the world.

Charlie's Honest Water Eco Bottle

It is for this reason that we are proud to introduce new packaging for Charlie's Honest Water, a PLA bottle we have dubbed the Eco-Bottle.

This Eco-Bottle provides us with a desirable point of difference for our Charlie's Honest Water and meets consumer demands for more environmentally friendly packaging.

A Leader in Sustainability

Phoenix Organics has been an environmental sustainability campaigner and organic brand for many years and as Charlie's Group we are conscious to uphold the principals that created the Phoenix legacy.

In November we began purchasing our electricity from Clearwater Hydro, a run-of-river hydro generation unit that is environmentally friendly because it takes water from the stream, using gravity to feed it to the generator and then feeding it back to the stream afterwards

We have also installed plumbing at our Auckland & Australian plants, which captures rain water off the roof. This water is then used for cleaning, reducing our overall water requirements.

Performance year to date

In light of what everyone is reading in the media and the current market environment, we thought it was important to provide you with a snapshot of how we are performing so far in the F09 financial year. The following charts show three of our unaudited key performance measures for the first four months of this year, compared with the same four months in the previous year.

Gross Sales 7% ahead

Despite the current economic climate, Charlie's gross sales continue to grow. At October 08 our YTD gross sales were 7% ahead of the same period last year.

The graph reflects the in-store transition in July and Aug 08 to the new square bottles as our customers ran down their levels of old stock before ordering new product. We are now through this transition period and sales in Sep and Oct 08 are well ahead of last year.

Although we expect good growth over the summer period we are mindful of the softer retail environment in which we are operating and nobody can predict with certainty what trading conditions will be like in the coming months.

Gross Margin showing big improvement

Gross margins have shown a strong improvement, mainly as a result of commencing production at the Australian facility and a more profitable product mix. Year to date to October we are tracking at 51% compared to 47% for the full 2008 year, and we expect this level to be maintained. This is even more impressive when looking at the same 4 months in 2008 when Gross Margin was tracking at 40%.

Positive swing in EBITDA

Finally, earnings. YTD we have produced a positive EBITDA of \$328,000, a strong turnaround of more than \$700,000 compared to same 4 month period last year. This is due to our improved gross margins and product mix.

Outlook for 2009

Today we have been pleased to be able to share with you the ongoing successes at Charlie's Group. As you have heard, we are focused on growing profitable sales and have achieved good performance year to date.

Much of our focus for this year and beyond will be on expanding our distribution in New Zealand and in Australia. Early orders for the Charlie's brand in Australia have far exceeded our expectations and growth of Phoenix Organics in this market is strong.

We will also continue to build our brands and innovate. By continually developing and introducing new products, we can ensure we gain access to bigger, more profitable markets and opportunities. The bottled water category has been in massive growth and our new eco-bottle provides us with a desirable point of difference. The Charlie's Vitamin water also represents a huge opportunity as New Zealand follows the global trend in the growth of this new category.

We are also very aware of the current market conditions in which we are operating. During these tougher times, we are focused on monitoring costs and performance efficiencies to ensure we continue to grow sales and maximise our profit.

Our new IT system implemented in July is providing us with detailed information on the margins of each of our products by sales channel and customer so that we are able to direct the focus of our sales team and new product development team to channels and products that increase profitable sales for the group.

It has been an exciting journey over the past three years and Charlie's is now a well regarded, rapidly growing company built upon a solid business platform, with exceptional brands, premium quality products and distribution opportunities throughout Australasia and Asia Pacific.

Our strategy for the year is to balance our growth with achieving improved profitability.

I would like to thank the board for their on-going support and also my wonderful team at Charlie's who are the reason for our ongoing success.

Thank you for sharing the journey with us.

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