

CHARLIE'S GROUP LIMITED

2008 ANNUAL MEETING OF SHAREHOLDERS
18 NOVEMBER 2008



CHAIRMAN'S ADDRESS

Charlie's Group Vision

Growth depends on effort and effort means hard work.

Charlie's is a growth company and from day one, the Charlie's team has been working relentlessly to achieve our over-riding vision – to lead the premium beverage market in creativity and innovation with good old fashioned business and personal integrity.

I am pleased to be able to stand here today and confirm that we are achieving this goal.

Charlie's Group Strategy

The initiatives we have put in place over the past years are now starting to bear fruit and 2009 will be the year when we start to realise the benefits of the Reinvestment for Growth strategy that has been the driving force for the past three years.

This strategy has seen the company make a number of bold moves and big investments, including:

- Acquiring the Phoenix Organics business;
- The purchase and set up of our new production facility in Australia;
- Growing our distribution platforms in both New Zealand and Australia;
- Expanding into selected offshore markets; and
- Building high brand awareness through our innovative and stand out advertising campaigns.

Charlie's is now in an exciting phase and our potential is unlimited. Moving forward, our focus is on improving profitability while continuing to invest for growth.

Charlie's has built the right platform

The Charlie's business platform now consists of production facilities in two countries – our original facility in Henderson, Auckland where all our glass bottle products, such as Phoenix and Charlie's Soda Co. are produced; now complimented by our new facility in Australia, which produces our plastic bottled products, predominantly for the Charlie's range.

Along with other directors, I recently visited the Australian facility and was extremely impressed with the size, scale and professionalism of this operation. Today is an opportunity to share with you what we saw.

Australian Facility

The acquisition and set up of the Australian facility was an important step in Charlie's journey towards achieving its vision and, thanks to the careful management from our team, the set up was very cost effective and delivered in record time. Thanks to a number of different factors which worked in our favour, and in addition to the hard work from our team, the facility went from a shell to a full operating plant in 8 months, a process that would normally take 18 months.

We now control the supply chain from orchard to consumer with long term security of fruit supply for our Charlie's products. Financial and operational benefits from this new facility are already emerging.

We've come a long way

Charlie's has come a long way since we first opened for business in 1999 and squeezed our first orange on a home-made machine.

We are now a leading beverage company and have grown rapidly through acquisition and organic growth.

Our focus on our brands has seen the Group continue to report record year on year gross sales results, with 270% increase in gross sales since listing in 2005.

Gross Margin growth

Our gross margins have also improved significantly as a result of cost savings from moving production from third party contractors to our Australian facility and developing and selling a better product mix.

Fridge placement growth

Fridge placements in key premium Route outlets, another key performance measure have also increased from 115 in 2005 to 1,547 across NZ and Australia at the end of October 2008.

Export market growth

We have spread our wings and moved beyond our shores, with strong forays into 12 export markets including Australia and countries around Asia Pacific. The size of these markets and the opportunity they present for the Group is huge.

Employee growth

Employee numbers have also grown from a small team of less than 10 staff when we listed in 2005 to more than 100 'Charlie's' hard at work for our company around New Zealand and Australia.

2008 Full Year Results

The financial performance of Charlie's in 2008 has been outlined in the annual report.

For the financial year to 30 June 2008, the Company reported record Gross sales of \$33.3 million, a positive EBITDA of \$300,000 and a small net loss after tax of (\$400,000) after allowing for one off costs.

These costs were mostly incurred in relation to the rapid set up of the Australian production facility within a short time frame. However, the benefits of this investment were immediately realised with a positive improvement in profitability in the last quarter of the 2008 financial year when commercial production commenced.

Our stock holdings of raw materials also increased significantly during the year as we commenced production at our own facility. There was a temporary spike during the transition period from our third party contractors to our own facility as we ran down the stock holdings of products produced by our contract packer but also established our own manufacturing base. This impacted in the second half and resulted in negative cash flow from operating activities for the year ended 30 June 2008.

The Group's total inventory holding increased from \$2.6 million at 30 June 2007 to \$5.3 million at 30 June 2008. We now have an appropriate raw material base for all Charlie's products and the higher inventory levels will continue as the company grows.

Although we are disappointed not to have achieved a positive profit result in 2008, we are pleased with what was accomplished during the year including strong sales and improved competitor positioning.

Choosing growth over dividends

The directors have not declared a final dividend in keeping with our Growth strategy. No interim dividend was declared for the same reason. We will continue to invest spare cashflow into growing the company and our dividend policy will remain unchanged for the foreseeable future.

Our Outlook

The economic environment is changing rapidly and has become increasingly challenging in recent months. This has led to increased pressure on discretionary consumer spend.

With such market uncertainty, it is important that we maintain a prudent approach to the management of our business. But this does not mean we will stop innovating or looking for opportunities to maximise growth for the Group.

We have an excellent management team and an experienced board who are working closely together to ensure the efficient operation of the company and try to foresee any potential impact on the company from the changing economic climate.

A strong platform has been put in place and we are suitably positioned for the softer retail environment with a strong balance sheet that maintains high levels of equity.

Bank lines are currently being used to fund the expansion of production facilities and increased levels of inventory from the extended supply chain. These will deliver a substantial increase in gross margin to drive future profits and provide the ability to grow production volumes in the future.

As a growth company, we remain alert for potential new beverage categories and suitable brands to develop or acquire. The market is active with new beverage categories driving consumer demand and companies merging to gain entry into new beverage markets and categories. Many of you may have seen the announcement yesterday regarding merger discussions between Lion Nathan and Coca Cola Amatil in Australia and New Zealand. We expect to see more of this type of market activity.

Although we expect retail trading conditions to remain soft during the 2009 financial year, the Group is showing 7% sales growth ahead of last year, for the first four months of this year.

Continued hard work, nurturing and investment are required to ensure our brands and business can reach their full potential. Although our reinvestment for growth strategy remains in place, we are now also balancing this with generating improved returns.

We remain confident that Charlie's will continue on its path to becoming an ever more significant player in the beverage market, both here and in our major export markets.

Thank you for sharing this journey with us.

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