28 February 2007

CHARLIE'S ANNOUNCES RECORD SALES AND A HALF-YEAR PROFIT

For the six months to 31 December 2006, Charlie's Group Limited (NZX: CHA) reports a significant improvement in financial results with gross sales of $12.3 million, earnings before interest, tax, depreciation and amortisation (EBITDA) of $636,000 and net profit $164,000.

Financial Performance Summary (consolidated)

	6 months to Dec 06	6 months to Dec 05	9 months to Dec 05[1]
Gross Sales	$12,301,000	$6,817,000	$8,330,000
Operating Revenue	$11,762,000	$6,532,000	$7,899,000
EBITDA	$636,000	-$109,000	-$87,000
EBIT	$236,000	-$234,000	-$232,000
NPAT	$164,000	-$141,000	-$140,000

Key highlights for the December half year included:

- Charlie's Group gross sales grew by 80% vs. the same 6 month period last year
- Acceptance of Charlie's orange juice on the Air New Zealand domestic service as well as the Charlie's range in selected BP service station sites nationwide. Charlie's and Phoenix Organics products also gained distribution through McDonald's national McCafé chain.
- Charlie's 600ml OJ now ranks the number 1 selling juice by value in service stations as measured by AC Nielsen[2].
- Charlie's brand experienced significant growth of 70% in operating revenue in the route trade vs. the same 6 month period last year as a result of integrating into the Phoenix Organic distribution network.
- Total Charlie's brand in grocery grew by 26% in operating revenue vs. the same 6 month period last year.
- Total Phoenix brand in grocery grew by 31% in operating revenue vs. the same 6 month period last year.

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[1] Note: Accounting standards required the group to report for a nine month period to 31 December 2005, for the previous interim period. To provide a more useful comparison, the company has chosen to also show the same six month period for the group last year.

[2] Source: AC Nielsen service stations organised two year's trading data to 31 December 2006

- Licensed Charlie's branded fruit royalties grew by 21% vs. the same 6 month period last year.
- An overall 31% increase in fridge placements in the NZ market equating to 175 new fridge sites, during the period, taking the total number of route fridges in NZ to 737.
- Existing export markets continuing their strong growth, particularly in Australia, which has shown 16% growth in operating revenue from the same 6 month period last year. Strong interest is being shown in new markets, where the Company continues to research and explore these opportunities.
- An overall 49% increase in fridge placements in the Australian market equating to 45 new fridge sites, during the period, taking the total number of route fridges in Australia to 136.
- Board approval of $900,000 of capital expenditure for the current financial year for reinvestment in the business, encompassing an upgrade of the blend hall and production line facilities and expansion of the Company's internal warehousing capability. This will result in overhead savings and improved operational efficiencies that will become apparent in the next financial year.
- Renewal of the Red Bull Energy Drink Grocery Distribution Agreement for a further term. This reflects the Company's strong performance for the brand in the Grocery channel.

The Group's plans for the next six months and beyond include:

- Continued focus on volume and market share growth across all brand categories
- Increased brand marketing activity
- Further investment in expanding the NZ and Australian route distribution model through more people and infrastructure to gain greater foot print for our brands.
- Bringing to market a number of new products. The launches of these products are in final stages of development.
- Positive discussions have been progressing in relation to an export opportunity in Japan.
- The Company is continuing to scope opportunities that exist in the alcoholic beverage sector.
- Further investment in infrastructure with plans to commence expansion and redevelopment of the manufacturing, office and distribution facilities in Henderson. This is intended to ensure the company has capability to meet its growth objectives, and this redevelopment will be funded from existing credit lines, currently undrawn with ANZ Bank.

Whilst trading conditions remain strong, the clear focus is on growth, new products and market penetration, building value in the Charlie's and Phoenix brands for the future. This will require capital and operating expenditure and the reinvestment of earnings in line with the growth programme announced at the November 2006 AGM. Accordingly no interim dividend has been declared.

The Charlie's Small Shareholding Plan was implemented in November and December of 2006, being the first stage of the Group's strategy to reduce the number of shareholders and associated reporting costs. The second stage, involving the compulsory sale of holdings below 2,000 shares will be implemented after these half year results are released.

The board is pleased with the six month result and believes that the strategy of reinvestment for growth in the Group will further strengthen the market position and profile of the brands for the future.

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