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Leading Brands looks east to improve sales, service

VANCOUVER (CP) -- Leading Brands Inc. plans to start producing its TrueBlue blueberry drink in Eastern Canada in November, a move intended to improve customer service and sales.

Ralph McRae, the company's chairman and CEO, said the move should reduce freight charges and allow the company to be more responsive to customer demand and flexible on pricing.

"With this advancement, we're increasing our efforts to obtain listings on the eastern seaboard," McRae told a conference call with analysts.

The company, which has bottling plants in Edmonton and Richmond, said eastern production will likely be done on a contract basis initially.

McRae said TrueBlue is carried in more than 14,000 chain grocery stores in Canada and the United States and the company plans to begin a major advertising push for the drink in California next month.

"We're anxious to see what the impact of a broad sale program such as this will have brand awareness and sales in a couple of the largest U.S. markets. If it meets with the success we hope, our goal is to roll it out to other large North American cities shortly thereafter," McRae said.

The Vancouver-based drink maker, which reports its results in U.S. dollars, said Thursday it earned US\$320,000 or two cents per share for second quarter, ended Aug. 31. That compared with a loss of \$158,000 or one cent per share in the same period last year.

Quarterly revenue grew to \$15.7 million, up from \$11.4 million. The company also improved its profit margin from 31 per cent to 36 per cent.

"As the cost of fuel and plastics ease over the next few months, which I believe they will, we're in good shape to reap the benefits of reduced raw material and transportation expenses," McRae said.

Discounts, rebates and "slotting," or store placement, fees rose from \$493,000 in the second quarter last year to \$1.2 million in the most recent quarter due to new slotting fees and promotions related to TrueBlue and the company's other brands.

Taglich Brothers analyst Howard Halpren said the results met his expectations and the advertising push in California can only help the company.

"They're moving on the right track and continuing to build momentum," he said.

Halpren rated the stock a "speculative buy" with a 12-month price target of \$8.