



**Dear Shareholder,**

**Thank you for your support of our products and our company in 2009.**

**During the past year, we focused on upgrading our distribution network to support the growth of our business for 2010 and future years. By moving our distribution to Canada Dry in New York, New Jersey, Pennsylvania, Delaware, Maryland, Washington D.C, and Virginia, we can provide better service to our high volume supermarket customers in these regions. These distribution relationships also enable us to take on large customers like club stores and mass merchandisers, which we expect to start carrying Skinny Water® this year. We believe that Canada Dry will not only provide improved and more frequent delivery of our product but will also give us more opportunities within a store, for displays, end caps and other promotional opportunities.**

**Now that we have established this solid, integrated delivery network in this region, we can spend more of our efforts in promoting the Skinny brand! In this area, there are many potential points of distribution (supermarkets, convenience stores, drug stores etc). We are currently in only approximately one-third of the possible retail locations. Our plan for 2010 is to increase our penetration in these potential distribution points and to increase the number of cases sold at each point.**

**You will see a lot more of Skinny Water this year. Starting with the first weekend in January, we placed an ad in a free standing insert in newspapers in Philadelphia, Boston, Baltimore/DC and New York. In this ad, we are premiering our “Skinny Year, Skinny You” campaign for 2010. This theme will carry over into future marketing efforts, including radio campaigns, store samplings, event samplings, billboards, sweepstakes and contests. We are also embarking on a Brand Ambassador program at college campuses in key markets to spread the “Skinny” word.**

**On the social media side, we have launched a new website, ([www.skinnywater.com](http://www.skinnywater.com)) and a new Facebook page. Both mediums will keep you informed about our newest retailers, where Skinny Water is available and on sale, where we are sampling and when we are releasing new flavors. We will also let you know when celebrities have been seen with Skinny Water (like Fergie)!**

**Now that we have the distribution network in place to get the product delivered to the stores, our job is to get Skinny Water off the shelves and into more consumer’s hands!**

**Skinny Water is positioned in the right beverage category. The Company is positioning our beverages as a nutrient enhanced water beverage, away from a dietary supplement. We feel this position aligns us better against our competitors and will make our brand more appealing to a broader consumer base. With more and more publicity about the effects of sugar consumption, we believe that Skinny Water, with Zero Calorie, Zero Sugar and Zero Sodium, is the beverage alternative that health conscious consumers are looking for. Once consumers taste the product, they are hooked!**

**In addition, we are working hard to reduce the cost of manufacturing Skinny Water. During 2009, we modified our formula, renegotiated bottling contracts and closely monitored our freight costs which enabled us to improve our gross margin in 2009. In addition, we now own all of the Skinny trademarks (14 of them) that we were previously licensing. This means, we no longer pay a license fee to use the name Skinny Water.**

**We now are selling Skinny Water in 26 states through 55 distributors. This is an increase from 9 states and 15 distributors as of December 2008. Skinny Water is also now in over 4,000 outlets nationally, up from approximately 1,700 as of December 2008. We also have attracted interest from other countries and have recently delivered product to Bermuda and Ireland.**

**We are poised for growth in 2010. The message about health and the effects of sugar will continue to resonate. People are starting to recognize our brand.**

**We are looking forward to a tremendous year at Skinny Nutritional Corp., and thank you for your continued support!**

**Sincerely,**

**Michael S. Salaman**

**Chairman of the Board**

