

Welcome Shareholders to the AGM of Terra Vitae Vineyards Ltd



21st November 2019 - 2.30pm

Financial Results

On May 17th following harvest, we posted the following statement on the USX Market;

"The Board of Terra Vitae advises that, subject to final pricing including extra payments for reserve grade wines, we will fall short of our budgeted harvest value for the year ended June 30 2019 by 16%. This result is largely due to cold wet conditions during flowering in Marlborough in December, followed by incredibly hot dry conditions over the summer period, which resulted in lower volumes of approximately 17% against budgeted tonnage. This will impact on the profit result for the year."

It was disappointing to announce in the annual report that the gross income from grape sales was \$6,532,669 which was down \$1,962,799 from the previous season. I will illustrate the individual results in my next slide. After deducting valuation movements and redevelopment expenses the net loss before tax was \$850,503.

Your Board resolved and is in a position to declare and pay a fully imputed dividend of 0.7cents per share, totalling \$280,000.

Financial Results

The Directors believe that the results before *interest, tax, depreciation and amortisation (EBITDA)* best reflects the performance of the vineyard operation.

These results were as follows:

	Movement 2018-2019	2019	2018	2017	2016
EBITDA	(57%)	\$1,946,082	\$4,541,815	\$3,585,406	\$5,428,132
Grape Harvest Income	(23%)	\$6,532,669	\$8,495,468	\$7,686,501	\$8,922,407
Grape Harvest Tonnes	(27%)	3256	4441	4141	4693
Average Price per tonne	5%	\$2,006	\$1,913	\$1,856	\$1,901

Financial Results cont.

- As I explained in the Annual Report, we now report depreciation of our vines along with fair value adjustments, valuation movements and one off development expenses. The 2019 net loss before tax was \$850,503.
- This change does not impact on the cash flow of the company nor the setting of dividends. It is however required to be reported in the Income Statement.
- For a year on year comparison the chart below shows profit before income tax, interest and depreciation (EBITDA)

	2019	2018	2017
Profit/(Loss) Before Tax	\$(850,503)	\$1,395,193	\$ 303,228
Depreciation	\$1,692,214	\$1,888,541	\$1,796,544
Interest	<u>\$1,104,371</u>	<u>\$1,258,081</u>	<u>\$1,485,634</u>
EBITDA	<u>\$1,946,082</u>	<u>\$4,541,815</u>	<u>\$3,585,406</u>

Financial Results cont.

- The Financial Accounts included in the 2019 Annual Report are reported under NZ IFRS standards.
- Under NZ IFRS and as a result of our Valuers' valuation as at 30 June 2019, fair value movements and impairments of \$(239,770) were taken to the Income statement.
- In the last 12 months, prices have continued to firm in Marlborough for developed vineyards and bare land suitable for viticulture.
- It is pleasing to note that transactions of buying developed and undeveloped land for viticulture and negotiations for leasing suitable land for viticulture are now being based on economic returns off the land rather than “must have” prices

Major review of all operations on vineyards

- Your board is in the process of having a major review of all operations on the vineyards
- We are halfway through the process and spent time today at our Board meeting focussing on some of the major findings
- This is an ongoing process, just in more depth than normal
- Once we have set some of the major changes in place we will advise you of those changes in our normal communications

Wet day, Harvest 2019 Seddon Vineyard



Health and Safety

- This is taken very seriously by your board, the vineyard managers and staff.
- We receive regular reports from Villa Maria as our vineyard manager
- At least annually a board member makes an official visit to each vineyard to check on recording systems, vineyard hazards and visually looks at how the process is monitored and run
- I am pleased to report that your company had no major incidents reported to it in the last 12 months

Share trades year ended 30 June 2019

Shares traded in past 12 months	1,931,935
Price range	43c to 55c
Present price	41.5c
NTA per share	82.3c

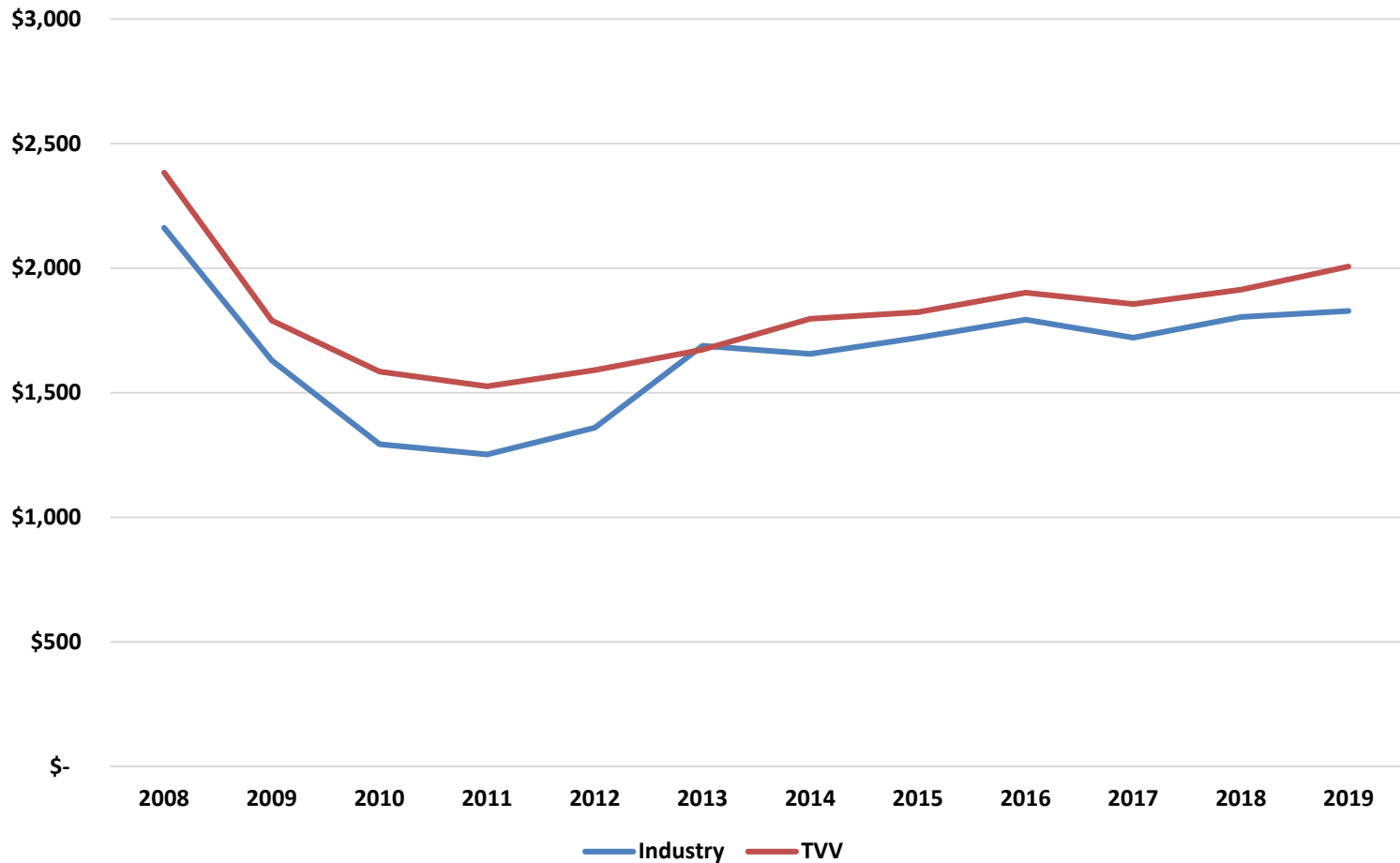
The individual vineyard performance

Vineyard	Yield 2019	Yield 2018	Crop Value 2019	Crop Value 2018
Seddon / Higgins Rd	2155 -24%	2836	\$4,116,845 -21%	\$5,212,931
Taylor's Pass	707 -32%	1071	\$1,368,579 -32%	\$2,019,376
Keltern	322 -27%	443	\$703,415 -27%	\$919,716
Twyford Gravels (currently replanting)	72 -21%	91	\$343,830 +0.2%	\$343,445
Totals	3256	4441	\$6,532,669	\$8,495,468

Average Grape Prices

TVV vs Industry Average

Average grape prices-Category 3 Wineries



A few industry Statistics for the 2019 Year

- Exports reached \$1.82b from 38,660ha of vines
- 7,758ha are in red production
- 73% of the red production is pinot noir
- White production is on 30,902ha and Sauvignon Blanc is 62% of the total producing area
- Marlborough is 26,850ha or 69% of total area
- There are 2019 vineyards averaging only 19ha
- 297m litres of wine was produced of which 270m litres (85%) was exported
- The biggest markets are USA, UK and Australia in that order.
- The average export price received for bottled wine is \$8.51/litre
- The average export price received for bulk white wine is \$3.89/litre

Water Conservation Order on the Ngaruroro River

- I spoke last year of the affect the Conservation Order would have on the Kelterner vineyard along with a large number of Hawke's Bay vineyards, pip fruit orchards and other horticultural businesses.
- The hearing process concluded with a favourable decision allowing continuing use of the river for irrigation purposes with tighter consents and very few additional consents. The original group led by Fish and Game were asking for a complete ban on all water being taken from the Ngaruroro River. This group have appealed the decision and so the case will now have to be heard in The Environment Court. Terra Vitae is fortunate to have Emma Taylor from Villa Maria representing our interests and we have joined with the Hawke's Bay winegrowers group along with the Gimblett Gravels group. It is a long expensive process to enable the whole region to use water carefully to produce food and wine.
- In the meantime our viticulturists are working on conditioning the vines to use less water without affecting yield or quality.

New Lease Block at Seddon

- The opportunity was put to us about 6 months ago
- 60 hectares plantable area next to our boundary; 1 paddock wide
- The land is next to the most productive part of our vineyard
- There will be minimum preparation to prepare for planting
- Just removal of some fencing and a small amount of drainage
- Extensive modelling and budgeting has been done over the last few months to test its profitability once established. The modelling was tested by your Board, our advisors and by our bankers Rabobank, in considering our application for the development funding required.
- It will have 2 metre rows, 40 ha Sauvignon Blanc & 20 ha Pinot Noir
- Provides economies of scale, same management, equipment and adjacent to sheds, office etc.
- An acceptable lease with a right of purchase
- We are able to use the water from the new storage dam to irrigate
- We have signed a long term lease with our Landlord.

New lease block, Seddon



Keltern Lease Renewal

- The process of negotiating to continue to lease the complete 8 ha of Maori lease land is lead by Sir George and continues to make progress.
- In the meantime we continue to lease the land and grow grapes on the original terms.

Banking and Auditors Relationship

- I welcome our bankers who are here today. Our relationship with them remains good and they are very supportive of your business. The increasing strength of our balance sheet has enabled us to negotiate a good loan extension to develop the 60 hectare lease development on acceptable terms with them. Your Board monitors very closely interest rate trends and, with advice, forward covers part of our lending. It always forms an important part of our decision making at each of our Board meetings.
- Our weighted average interest rate on borrowings for the 2019 year was 5.35 % (2018 - 5.48%)
- Welcome also our auditors who not only provide an independent opinion on the accuracy of the Financial Statements for you our shareholders, but also provide advice to the Board on the presentation format of the Financial Reports and advise us on the continual addition of IFRS changes and the implications the changes have on our business and the reporting requirements.

Water Storage

- I am pleased to report that construction of the two water storage projects at the Seddon and Taylors Pass Vineyards have been completed. The Seddon dam became operational towards the end of February and holds 150,000 cubic metres of water, which will be 35 days of water for the Seddon vineyard and the 60 ha of the Middlemiss lease area once it is up and running. The Taylors Pass dam holds 40,000 litres and is in the final stages of commissioning at the moment and will be ready operate for this upcoming season.
- The availability of water through periods of dirty water and when flows are cut off because of dry conditions will make a huge difference to the performance of the vines.
- Our viticulture advisor Mark Allen is managing the project and will help answer any questions you may have.

Seddon dam



Taylor's Pass Dam



Taylor's Pass Dam



A selection of the iconic award winning wines produced from the TVV vineyards

- Villa Maria Reserve Syrah (Twyford Gravels)
- Villa Maria Reserve Merlot (Twyford Gravels)
- Villa Maria Single Vineyard Taylors Pass Sauvignon Blanc
- Villa Maria Single Vineyard Taylors Pass Chardonnay
- Villa Maria Single Vineyard Taylors Pass Pinot Noir
- Villa Maria Single Vineyard Seddon Pinot Gris
- Villa Maria Single Vineyard Seddon Pinot Noir
- Villa Maria Single Vineyard Keltern Chardonnay

Thank you

- Congratulations to the Vineyard managers and the Villa Maria winemaking team for once again producing some outstanding wines from our vineyards, as evidenced by the numerous medals and trophies they were awarded over the past year. We look forward to tasting some of the wines at the conclusion of the meeting.
- It is also a good opportunity to recognise the tremendous work performed by the management services provided by Ollie, Jonathan and Stu and their skilled Villa team and our loyal staff who perform the day to day duties on our vineyards. Thank you Kevin, Ian, Cameron and Hamish.
- A special thanks to Mark Allen who, as well as advising and working closely with the viticulture teams, project managed the building of the Higgins Road dam along with all the necessary pipe work and the new pumping station at the dam, then repeated the process at the Taylors Pass Vineyard

Thank You cont.

- On behalf of the Board thank you, to you the shareholders for your support of the company and I look forward to meeting as many of you as possible at the conclusion of this meeting.
- Your Board ran another very successful de-gustation dinner in May this year at this venue, which included an update of progress at the vineyards and a wine tasting session with Ollie Powrie and Stu Dudley. This year we are planning to have a Field day at the Marlborough Vineyards where you will see the progress at the vineyards and will be able to see the land adjacent to the vineyard which we will be leasing from the Middlemiss family to develop an additional 60 hectares of vineyard.

The Australian Bush Fires 2019
Not an issue New Zealand growers have had to face

