

Welcome Shareholders to the AGM of Terra Vitae Vineyards Ltd



27th November 2017 - 2.30pm

Financial Results

On May 8th following harvest we posted the following statement on the Unlisted Market;

Terra Vitae is pleased to advise that the targeted harvested tonnage was met for 2017. This was one of the most difficult vintages in our history, with record rainfall in both regions during the critical ripening period. Our vineyard managers have, through careful planning and management of the crop, enabled us to achieve this pleasing result. Although pricing discussions have not yet been completed, we are confident that our annual profit will be in line with budget.

I am pleased to report that in spite of the very difficult harvest, the company has achieved a profit. In addition, the quality of the wines tasted so far have been excellent. I am sure that one of the speakers following me will be wanting to confirm that!

Financial Highlights

The Directors believe that the results *before revaluation adjustments* best reflect the performance of the vineyard operation. These results were as follows:

	Movement 2016-2017	2017	2016	2015	2014
EBITDA	(34)%	\$3,585,406	\$5,428,132	\$3,248,338	\$4,051,226
Grape Harvest Income	(14)%	\$7,686,501	\$8,922,407	\$7,078,076	\$7,534,399
Grape Harvest Tonnes	(12)%	4141	4693	3882	4196
Average Price per tonne	(2)%	\$1,856	\$1,901	\$1,823	\$1,796

Financial Highlights cont.

- As I explained in this years Annual Report, the latest IFRS standards mean that we now report depreciation of our vines (bearer plants), which had a negative affect of \$1,098,620 on this years reported profit.
- 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)

	2017	2016	2015
Profit Before Tax	\$ 303,228	\$1,751,406	\$1,013,710
Depreciation	\$1,796,544	\$2,084,715	\$ 610,553
Interest	<u>\$1,485,634</u>	<u>\$1,592,011</u>	<u>\$1,624,075</u>
EBITDA	<u>\$3,585,406</u>	<u>\$5,428,132</u>	<u>\$3,248,338</u>

Financial Highlights cont.

- The Financial Accounts included in the 2017 Annual Report are reported under NZ IFRS standards.
- Under NZ IFRS and as a result of our Valuers' valuation as at 30 June 2017, fair value movements and impairments of \$107,653 and redevelopment expenses of \$109,681 were taken to the Income statement.
- In the last 12 months prices have continued to rise in Marlborough for developed vineyards and bare land suitable for viticulture. Those prices are now moving up above the 2008 prices as many of the larger wine companies and other investors scramble to own their own vineyards.
- Leasing has become an option for many wine companies along with an increase in new plantings on a decreasing amount of suitable bare land.

Banking Relationship

- I welcome our bankers who are here today. Our relationship with them is good and they are very supportive of your business. The increasing strength of our balance sheet has enabled us to negotiate better terms with them. Your Board monitors very closely interest trends and, with advice, forward covers part of our lending. As rates go down (as they have in the last 4 years) we can lag behind the drops but the risk management policy also means that we win as rates increase. It always forms an important part of our decision making at each of our Board meetings
- 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.

Share trades 2016 to 2017

Shares traded in past 12 months	4,166,200
Price range	41c to 52c
Present price	42.0c
NTA per share	87.4c

Production Figures

Terra Vitae's average yield per ha. compares favourably with the industry average over the last two years

Yield per ha.	2017	2016
Industry	10.7	12.0
TVV	11.2	12.7

And the individual vineyard performance was

Vineyard	Yield 2017	Yield 2016	Crop Value 2017	Crop Value 2016
Seddon	928	1074	\$1,734,142	\$2,162,219
Higgins Road	2008	2081	\$3,509,235	\$3,750,935
Taylor's Pass	819	1108	\$1,551,211	2,043,644
Keltern	319	347	\$680,197	\$744,970
Twyford Gravels (Currently replanting)	67	83	\$211,716	\$220,639
Totals	4141	4693	7,686,501	\$8,922,407

A few industry Statistics for Year ended 2017

- Exports reached \$1.66b from 37,129ha. of vines
- 7,919ha them produce reds
- 72% of the red production is pinot noir
- White production is on 22,216ha and Sauvignon Blanc is 76% of the white production
- 2005 vineyards averaging 18.5ha
- 677 wineries
- Averaged 10.7 tonnes per ha
- 396,000 tonnes were crushed
- 285m litres of wine produced of which 213m litres (75%) was exported
- 98% of NZ's vineyard area is sustainable winegrowing NZ certified which is a huge achievement.

Water Conservation Order on the Ngaruroro River

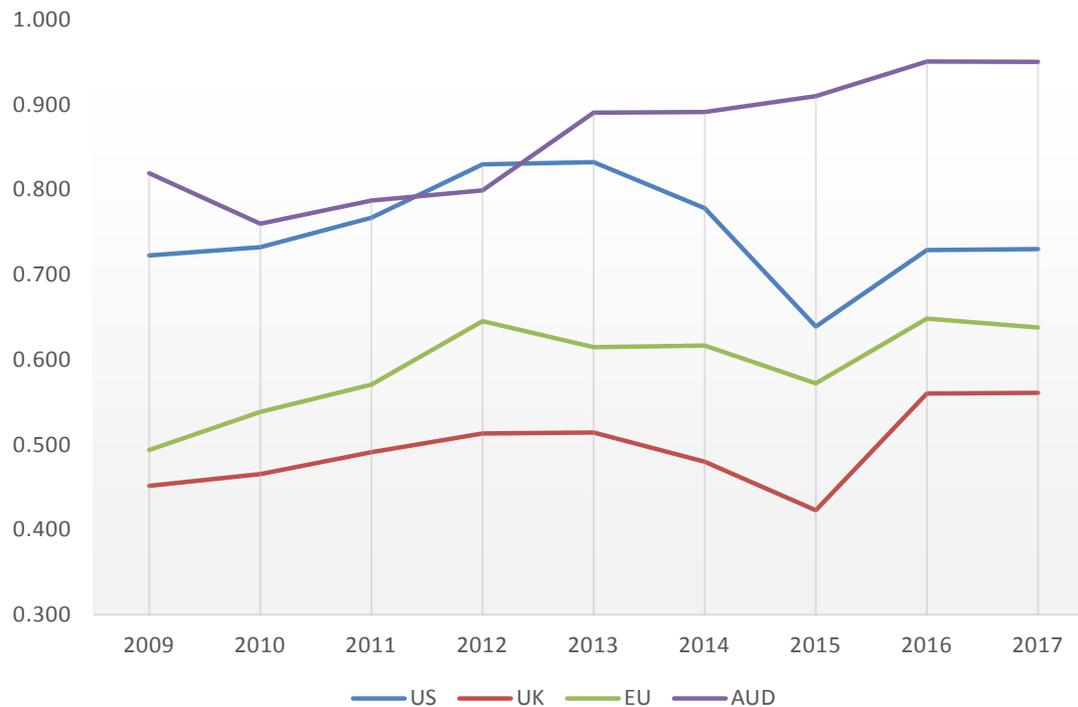
- A serious issue regarding the use of water from this river.
- A serious attempt is being made to shut down the use of water from the river.
- It could decimate the wine industry and be very problematic for the pip fruit industry and other horticultural businesses in Hawke's Bay.
- Terra Vitae has joined with other companies in the wine industry in putting the case to the hearings that careful use of the river and management of it is possible and a good result for everyone rather than a blanket closure.
- Hearings are being held at the moment regarding the upper reaches and hearing of the lower reaches are due to be heard next May.
- The outcome of these hearings will be critical for the Keltern vineyard.

Future use of technology in our vineyards

- I believe that we now need to look at the next step forward and assess the use of the technology already available and increasingly becoming available.
- With the current technology we can map our vineyards so that we can apply fertilizer according to accurate soil maps rather than making blanket applications across the entire vineyard. This approach will extend to the use of herbicides and fungicides where sections of the vineyard can be targeted according to requirements.
- Different soil types require different amounts of water and the drip lines will be programmed to match the plants and rows requirements. This could provide a saving of up to 40% of water usage.
- GPS technology will drive this move to more targeted applications and will enable automation of some machinery currently requiring manual operation. This will include jobs such as spraying, mowing and harvesting.
- The way in which we run our vineyards, in my view, is about to change.

The External Influences

This graph illustrates the volatility of our currency in prior years and the minimal movement against the \$NZ in the last 12 months. The political climates in our major export countries, USA, UK and Australia along with many uncertainties here in NZ around water, employment and currency are a testing time for selling wine into our international markets. I am sure that Sir George will talk about that when he speaks to you.

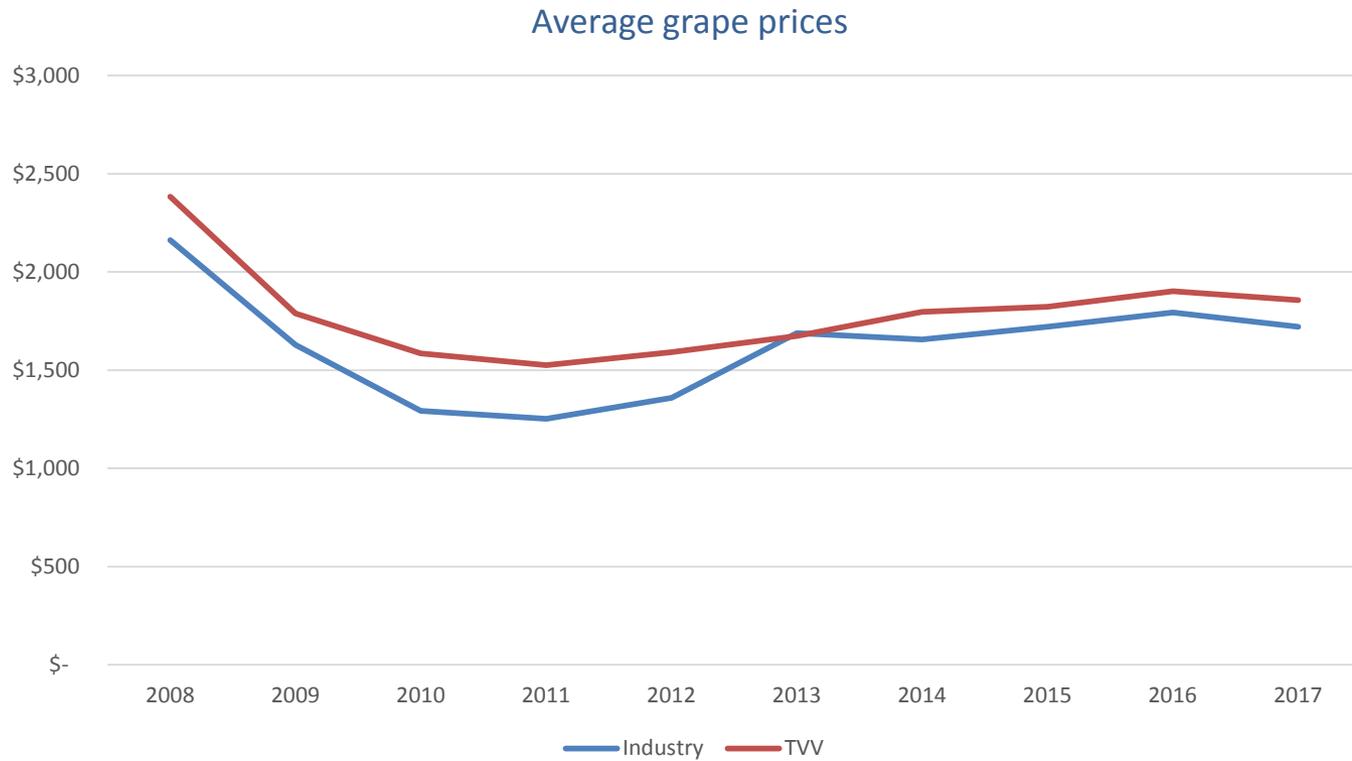


Health and Safety

- This is taken very seriously by your board
- We receive regular reports from Villa Maria as our vineyard manager
- At least annually someone from your board 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.
- Our vineyard managers and staff treat health and safety very seriously. They all want to safely return home to their families every night.

Average Grape Prices

TVV vs Industry Average



Water Storage

- I spoke last year about the risk management need to provide water storage at our vineyards, beginning at our largest vineyard Seddon. After 18 months of investigation, a decision was made to proceed to build a water storage pond in part of the Riesling block off Higgins Road, near the managers house. Five hectares of vines have been removed and we are at the tender stage of the process with the construction consent in place. It is planned to begin in February 2018 and will be operational this time next year.
- It will hold 40 days of storage for the whole vineyard and the vines will be watered from it rather than directly from the river to alleviate the problem of having to stop irrigating when the river is dirty following rain in the high country and none at the vineyard.
- Our vineyard manager Kevin Searles will be showing you photos of progress to date.
- Our viticulture advisor Mark Allen is managing the project and will help answer any questions you may have



Some of the irrigation pipe ready for laying



Celebration

- 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 highly skilled management services provided by Ollie, Jonathan and Stu and their skilled Villa team and your loyal staff who perform the day to day duties on our vineyards. Thank you Kevin, Ian, Cameron and Hamish.
- On your behalf I want to thank Garrie Armstrong for the way in which he managed the large Seddon Vineyard and congratulate Kevin who was successful in being appointed manager and who you are about to meet when he gives his presentation.
- I am sure our managers will mention in their addresses to you the successes of various wines produced from grapes from your vineyards!

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

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

Thank You

- On behalf of the Board thank you, to you the shareholders for your support. I look forward to meeting as many of you as possible at the conclusion of this meeting.
- Your Board last year ran a very successful de-gustation dinner here at this venue which included an update of progress at the vineyards and a wine tasting session with Ollie Powrie. This year we will have a field day at the Hawke's Bay vineyards and lunch at the recently upgraded Te Awa winery on Sunday February 25.
- I look forward to many of you joining us at the event.
- I move that the annual report be adopted and open the meeting for questions and discussion before I ask for a seconder.