

Welcome Shareholders to the AGM of Terra Vitae Vineyards Ltd



26th November 2018 - 2.30pm

Financial Results

On May 9th 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 exceed our budgeted tonnage and our budgeted harvest income for the year ending June 30 2018. This result will be achieved in spite of a most difficult harvest due to repeated rainfall events during harvest in both the Marlborough and Hawke’s Bay regions. The care and attention of our vineyard managers and advisors throughout the growing season, from pruning through to picking, enabled us to get the result we achieved.”

It seems ironic that we should have two extremely difficult harvests in a row and this year we were not able to harvest all the crop, with some being left on the vines. Despite this, as you will see by the figures to follow, the company has produced a good result, due to the skill of the viticulture team and the winemakers.

Financial Highlights

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 2017-2018	2018	2017	2016	2015
EBITDA	27%	\$4,541,815	\$3,585,406	\$5,428,132	\$3,248,338
Grape Harvest Income	11%	\$8,495,468	\$7,686,501	\$8,922,407	\$7,078,076
Grape Harvest Tonnes	7%	4441	4141	4693	3882
Average Price per tonne	3%	\$1,913	\$1,856	\$1,901	\$1,823

Financial Highlights 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 2018 net profit before tax was \$1,395,193.
- 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)

	2018	2017	2016
Profit Before Tax	\$1,395,193	\$ 303,228	\$1,751,406
Depreciation	\$1,888,541	\$1,796,544	\$2,084,715
Interest	\$1,258,081	\$1,485,634	\$1,592,011
EBITDA	<u>\$4,541,815</u>	<u>\$3,585,406</u>	<u>\$5,428,132</u>

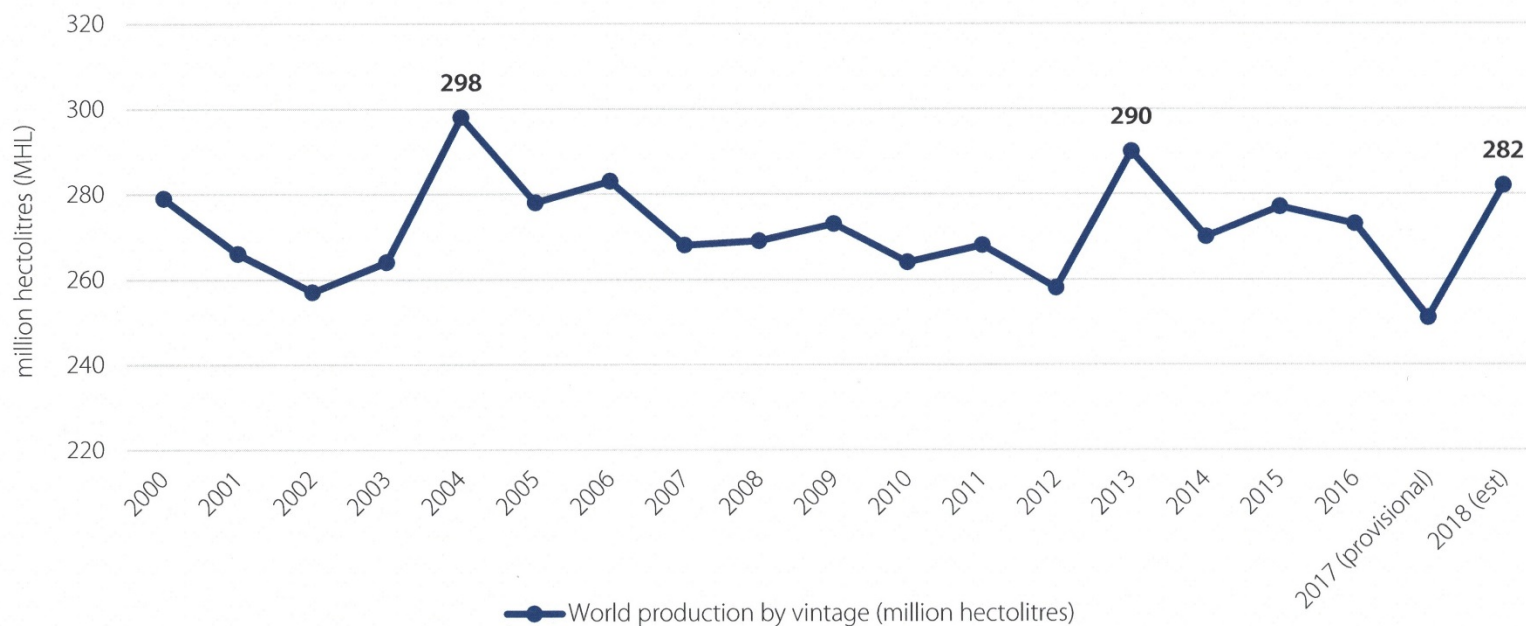
Financial Highlights cont.

- The Financial Accounts included in the 2018 Annual Report are reported under NZ IFRS standards.
- Under NZ IFRS and as a result of our Valuers' valuation as at 30 June 2018, fair value movements and impairments of \$27,370 and redevelopment expenses of \$6,028 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.
- The next graph must sound a note of caution to the continuation of the increase in the price people are paying for developed and undeveloped viticulture land.

The Three Largest World Vintages Since 2000



Rabobank



Source: OIV, Rabobank 2018

After reaching an eighteen-year low in 2017, the 2018 estimated world vintage rebounds to the third-highest since 2000 and is only five percent below the largest vintage in 2004.



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 2018

Shares traded in past 12 months	2,371,200
Price range	38c to 50c
Present price	48.0c
NTA per share	90.2c

Production Figures

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

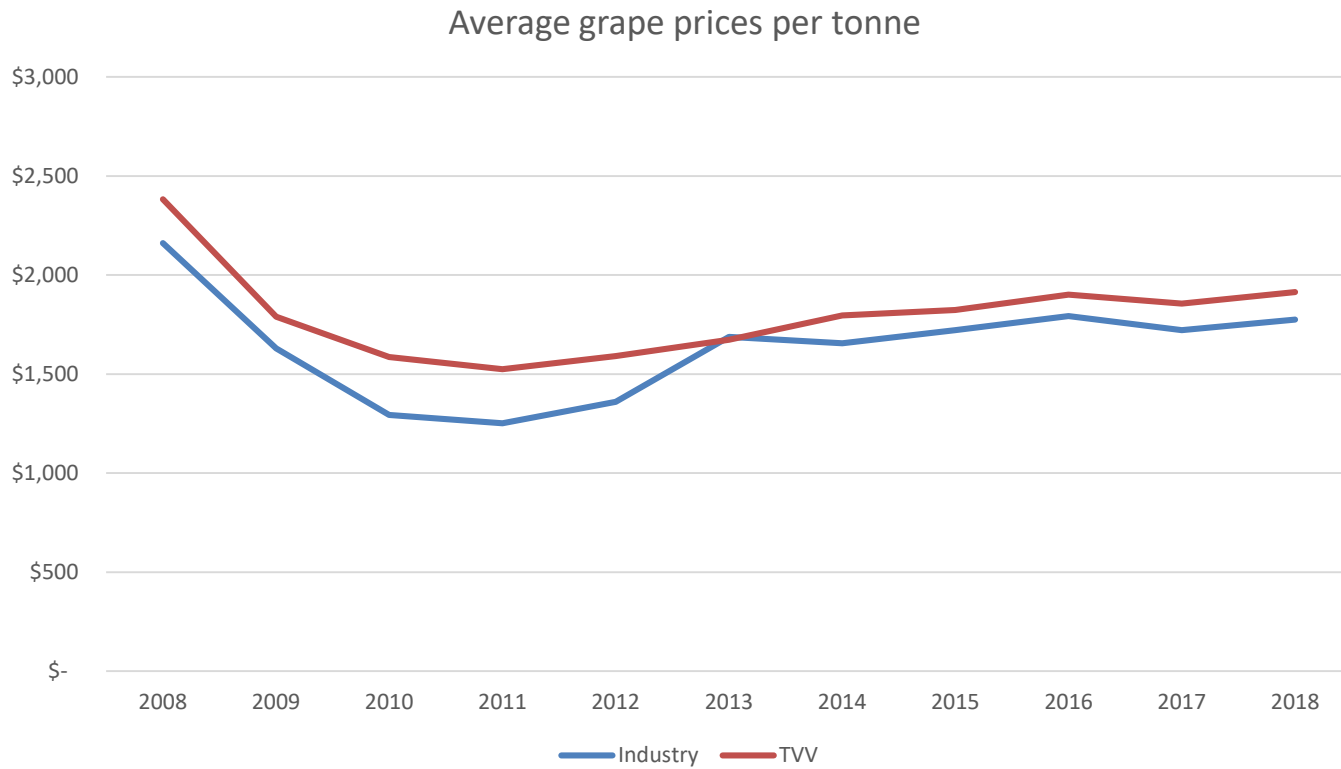
Yield per ha.	2018	2017
Industry	11.0	10.7
TVV	12.3	11.2

And the individual vineyard performance was

Vineyard	Yield 2018	Yield 2017	Crop Value 2018	Crop Value 2017
Higgins Road/Seddon	2836	2936	\$5,212,931	\$5,243,377
Taylor's Pass	1071	819	\$2,019,376	\$1,551,211
Keltern	443	319	\$919,716	\$680,197
Twyford Gravels (Currently replanting)	91	67	\$343,445	\$211,176
Totals	4441	4141	\$8,495,468	\$7,686,501

Average Grape Prices

TVV vs Industry Average



A few industry Statistics for Year Ended 2018

- Exports reached \$1.72b from 37,969ha. of vines
- 7,876ha of them produce reds
- 72% of the red production is pinot noir
- White production is on 30,092ha and Sauvignon Blanc is 61% of the total wine production
- Marlborough is 26,007ha or 68% of total area
- 2031 vineyards averaging 18.5ha
- 301m litres of wine produced of which 255m litres (85%) was exported
- The biggest markets are USA, UK and Australia in that order.
- The average export price received for bottled wine is \$8.56/litre
- The average export price received for bulk white wine is \$3.90/litre

Water Conservation Order on the Ngaruroro River

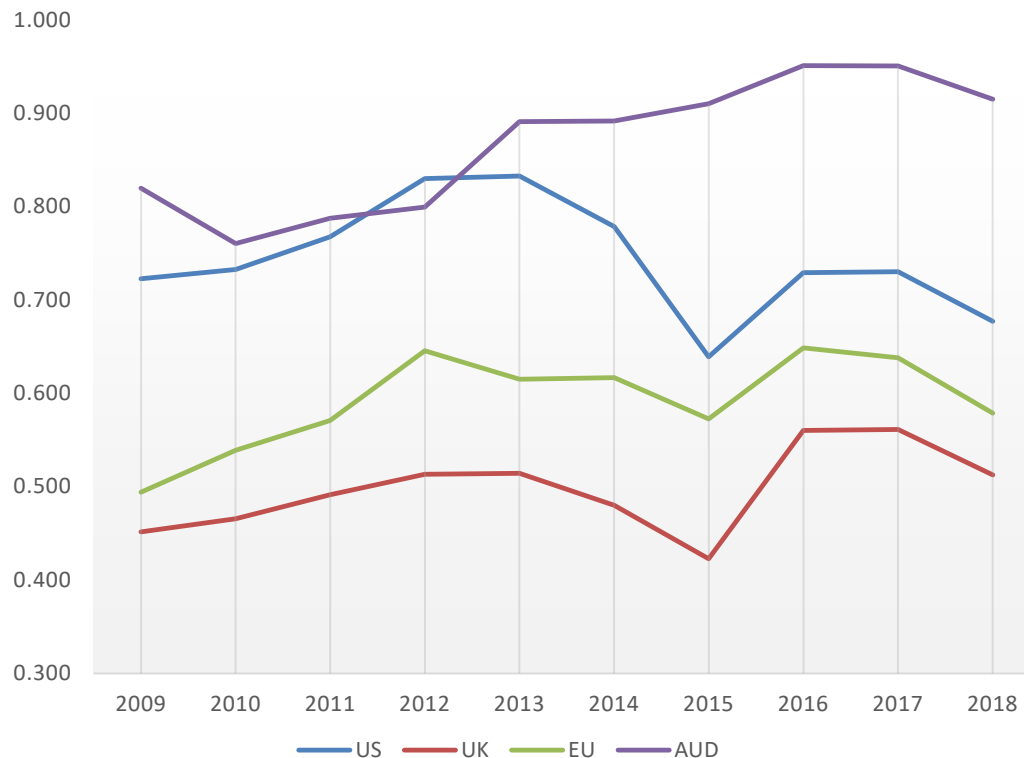
- I spoke last year of the affect the conservation order would have on the Keltorn vineyard along with a large number of Hawke's Bay vineyards, pip fruit orchards and other horticultural businesses.
- The hearing process is continuing and there has been a small softening in stance by the applicants who originally were asking for a complete ban on all water being taken from the Ngaruroro River. The next hearing is late February 2019. Terra Vitae is fortunate to have Emma Taylor from Villa Maria representing our interests.
- In the meantime our viticulturists are working on conditioning the vines to use less water without affecting yield or quality.
- Current indications are that frost consents will not be affected.
- Concurrently Emma is applying to have our consents to take a specified amount of water renewed with the Regional Council for a further ten years.

Keltern Lease Renewal

- At the eastern end of the vineyard there is 8ha of land which is leased from a Maori Trust. The 21year lease is due to expire on the 1st April 2019.
- After two years of attempting to meet with the owners we finally managed to arrange a meeting three months ago to try and renew the lease for a further 21 years.
- The meeting resulted in a disappointing outcome with some Trustees wanting to renew for 21 years and others wanted to take back control of the land for their own purposes.
- The result is that we will continue to lease 2.5 ha for a further 21 years and 5.5 ha will be cleared of the vines and infrastructure and re-grassed.
- In the meantime the area has been surveyed, water lines identified and plans are being made to renew the lease for the 2.5 ha and return the 5.5ha to the owners

The External Influences

This graph illustrates the volatility of our currency in prior years and the 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. The recent NZ\$ downward trend is positive for the industry.



Banking and Auditor 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 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 2018 year was 5.48% (2017 - 7.07%)
- Welcome also to 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 spoke last year about the risk management need to provide water storage at our vineyards, beginning at our largest vineyard Seddon. The building of the water storage dam at Higgins Road began in February and ended up taking much longer than expected due to a much wetter 6 months than average. It is now close to full with water and to being operated successfully. A storage pond build at Taylors Pass is now under way and Ian will give you the details of that.
- Both 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 managers Kevin Searles and Ian Buck will be showing you photos and speaking about progress to date of the two dams.
- Our viticulture advisor Mark Allen is managing the project and will help answer any questions you may have



Dam completed 8 months later



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 highly skilled 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 pond along with all the necessary pipe work and the new pumping station at the dam.
- He is now doing the same process at 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 two years ago 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 are planning to run one again at this venue and will set and advise the date. I look forward to many of you joining us at the event and details will be sent out in good time.
- The following photograph is from the very successful and well attended field day held in February in Hawke's Bay.

