





# Welcome Shareholders to the AGM of Terra Vitae Vineyards Ltd



28th November 2016 - 2.30pm

# 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 2015-2016	2016	2015	2014	2013
Operating profit before tax & NZ IFRS adjustments	149% 	\$3,386,618	\$1,362,663	\$1,792,088	\$569,790
Grape Harvest Income	26% 	\$8,922,407	\$7,078,076	\$7,534,399	\$6,386,312
Grape Harvest Tonnes	21% 	4,693	3,882	4,196	3,818
Average Price per tonne	4% 	\$1,901	\$1,823	\$1,796	\$1,673



# Financial Highlights cont.

- The Financial Accounts included in the 2016 Annual Report are reported under NZ IFRS.
- Under NZ IFRS and as a result of our Valuers' valuation as at 30 June 2016, fair value increases of \$1,703,431 and redevelopment expenses of \$111,735 were taken to the Income statement.
- In the last 12 months prices continued to rise in Marlborough for developed vineyards and bare land suitable for viticulture. Those prices are now at the 2008 prices as many of the larger wine companies and other investors scramble to own their own vineyards.

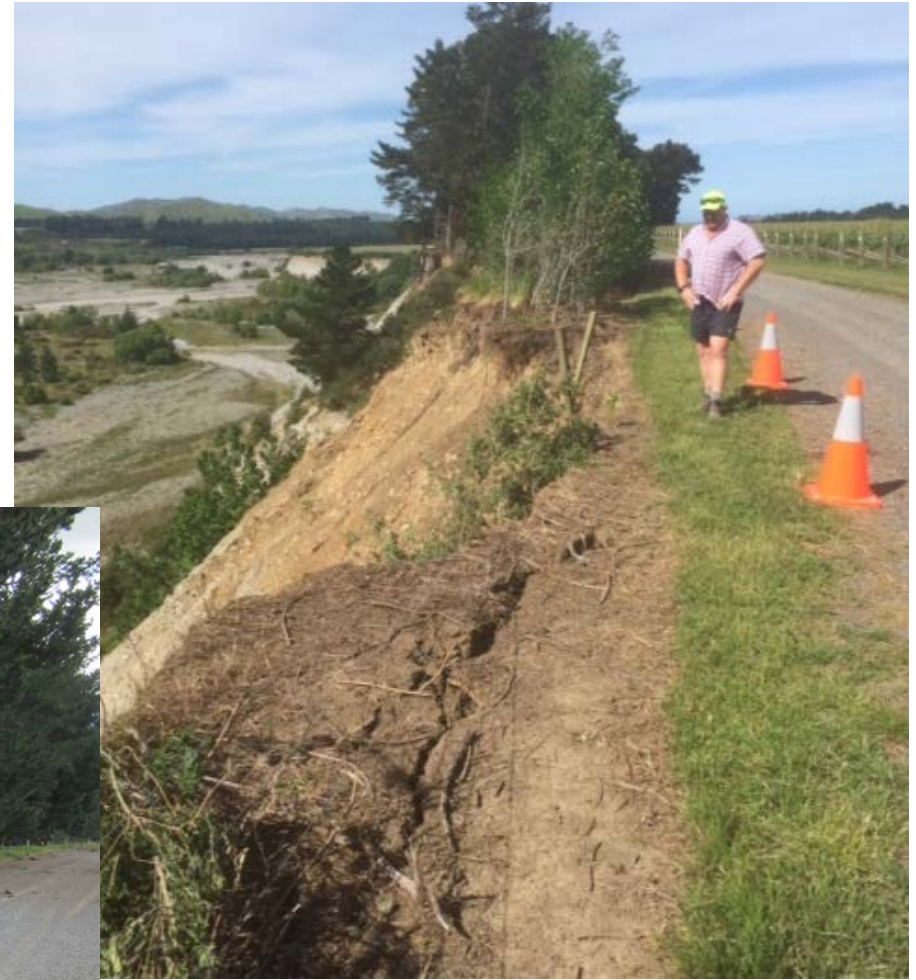
# Financial Highlights cont.

- We are continuing to maintain and upgrade our vineyard machinery as needed. The added pressure of powdery mildew in Marlborough has increased the amount of spraying we have to do in those vineyards.
- As explained in the Annual Report, the latest IFRS standards imposed on us mean that there will be a change in how we report depreciation of our vines which will have a negative affect to next years reported profit of about \$1m. This is a book entry only however, with no impact on cash flow.
- Brexit and the election of D. Trump is causing uncertainly in the financial world and the flow through effect on the value of the \$NZ and trade rules on our exporters including the wine industry, is unknown at this stage.

# Earthquakes

- You will all be aware that two weeks ago today the Kaikoura region was hit by a huge earthquake. I am sure that Ian and Garrie will cover this as it relates to Seddon and Taylors Pass vineyards.
- Thankfully there has been very little damage in both vineyards but more importantly our staff and their families and homes are fine. It has been a very stressful time for all.

- Seddon Vineyard-  
Garrie Armstrong  
examines the damage  
following the latest  
earthquake

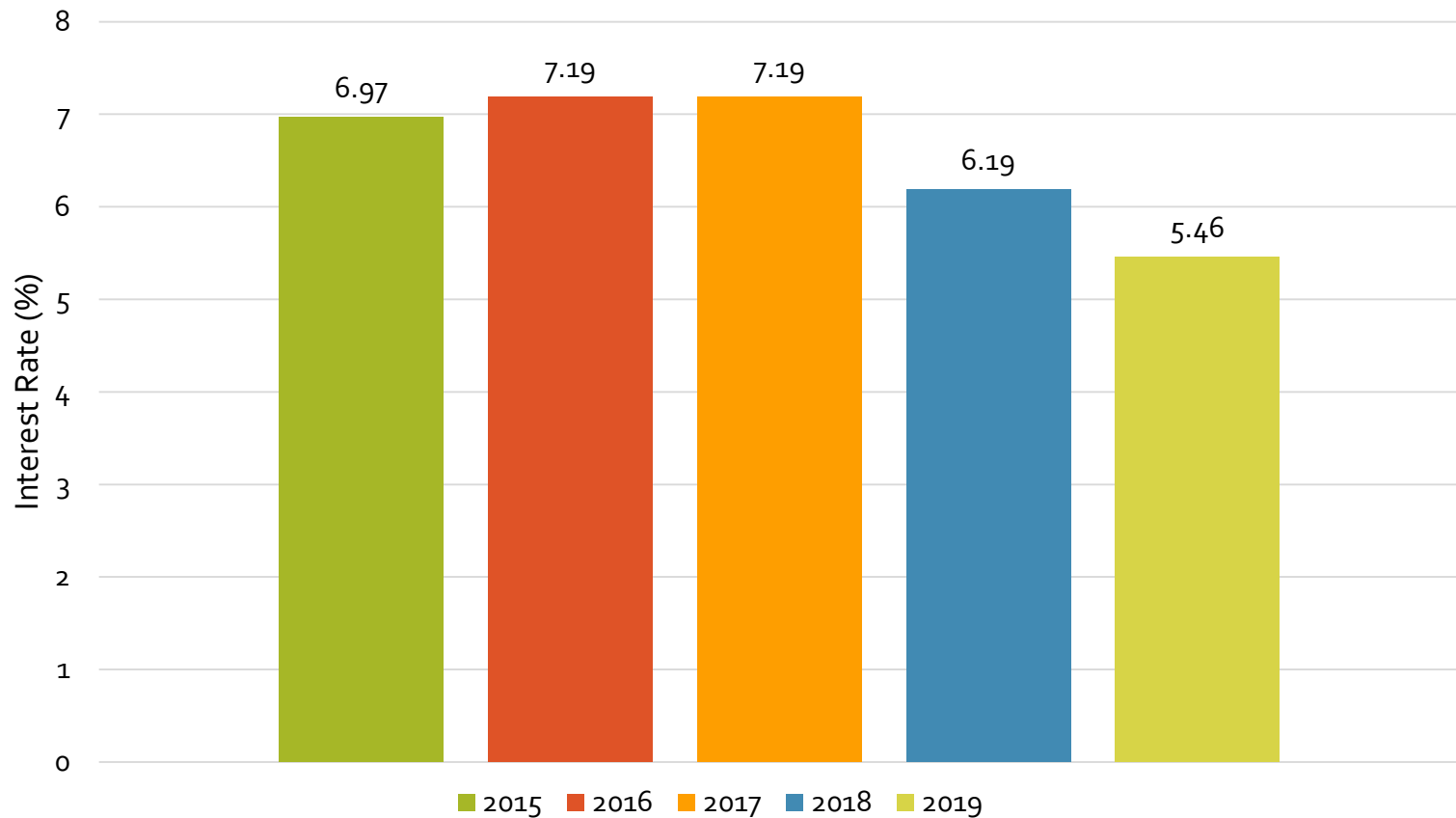


# Banking Relationship

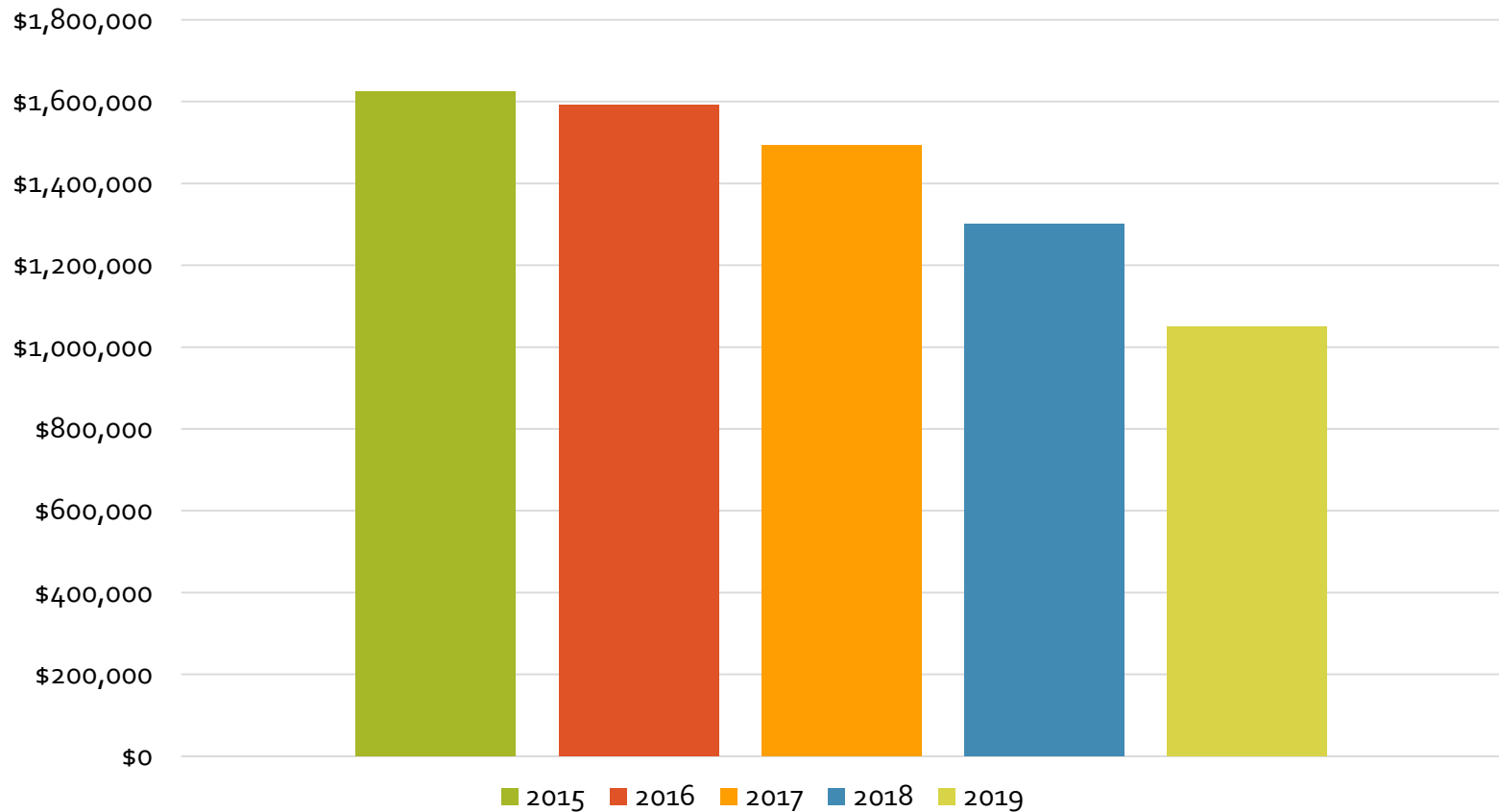
- I welcome our auditors, who not only provide an independent opinion on the accuracy of the Financial Statements for you our shareholders, but also provide advice to the Board on the presentation format of the Financial Reports.
- Welcome also to our bankers who are here today. Our relationship with them is very good and they are very supportive of your business.
- Your Board monitors interest trends very closely 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



# Weighted average interest rate



# Total interest cost



# Share trades 2015 to 2016

Unlisted trading data	
Shares traded in past 12 months	875,900
Price range	32 to 50c
Present price	50c
NTA per share	91c

# A little bit of history

- Below is an extract from the Terra Vitae Annual report from 1998.

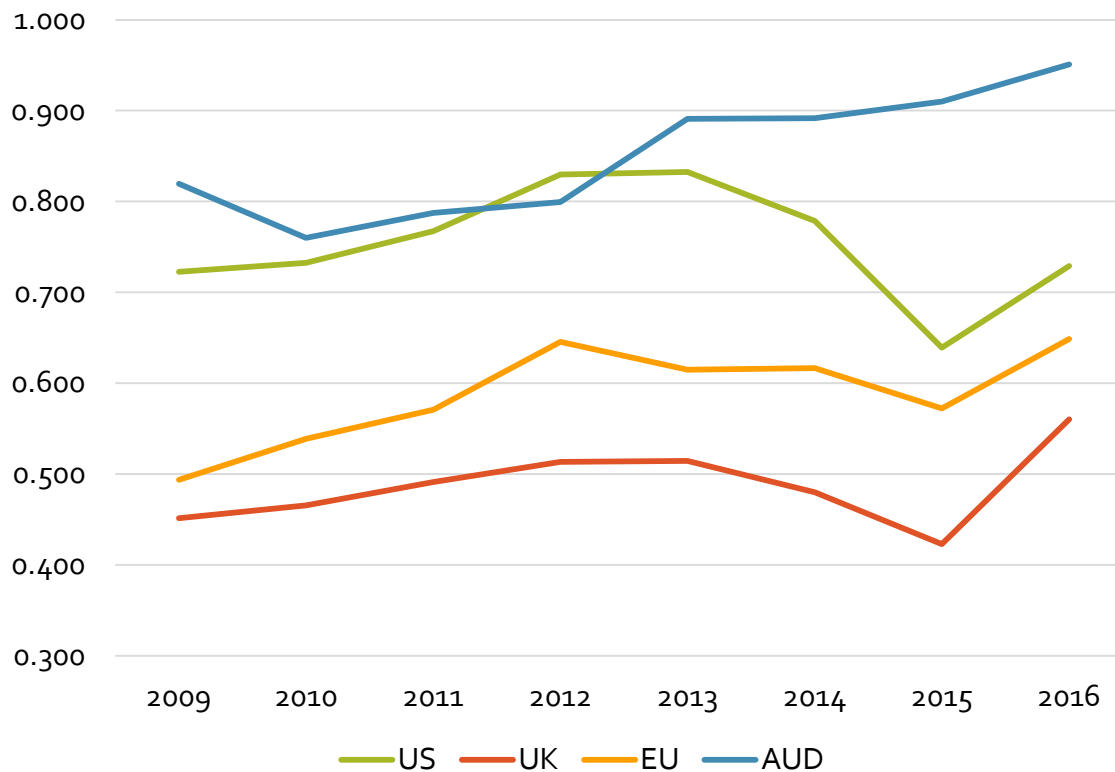
*“With the excellent quality of the 1998 vintage and export wine prices per bottle on average the highest of any imports to the UK, the prospects for the future of quality NZ wines are very sound. New targets have been set by the industry of \$125M by the start of the new millennium and \$500M by the year 2025. Restrictions in achieving those targets will be the availability of premium viticultural land, the supply of suitable grapes and the financing of winery expansion and the industry infrastructure as a whole.”*

# Total Wine Industry Export Volume and Value year ended 30 June

- Total exports \$1.57b, up 10% on 2015
- Total exports of packaged wine 141m litres, up 5% on 2015
- Total exports of bulk wine 71m litres, up 1% on 2015
- Biggest three markets by FOB value are;
  - USA \$460m up 24%
  - UK \$362m up 8%
  - Australia \$382m down 0.1%
- 85.6% of exported wine is Sauvignon Blanc
- And NZ drinks 56.3m litres down 7%

# The External Influences

This graph illustrates the volatility of our currency and the movement of the \$NZ in the last 12 months and the flow on effect it can have on grape prices. I am sure that Sir George will talk about that when he speaks to you.



Exchange rate positions at 30 Sept 2016

# Exports by Variety/Style year ended 30th June

	Litres (000's)	% of total	% change
Sauvignon Blanc	181,944	85.6	2
Pinot Noir	12,171	5.7	12
Chardonnay	6,063	2.9	15
Pinot Gris	4,713	2.2	5
Merlot	1,906	0.9	11
Sparkling	1,412	0.7	-2
Cabernet & Blends	836	0.4	-2
Other	3,549	1.6	-9
	212,594	100.0	3

# Health and Safety

This is taken very seriously by your board

We receive regular reports from our vineyard managers

At least annually someone from your board makes an official visit to each vineyard together with our independent consultant Mark Allen, to check on recording systems, vineyard hazards and visually looks at how the process is monitored and run.

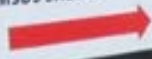
I am pleased to report that your company had no major incidents reported to it in the last 12 months.

Our vineyard managers and staff treat health and safety very seriously. They all want to safely return home to their families, every night.

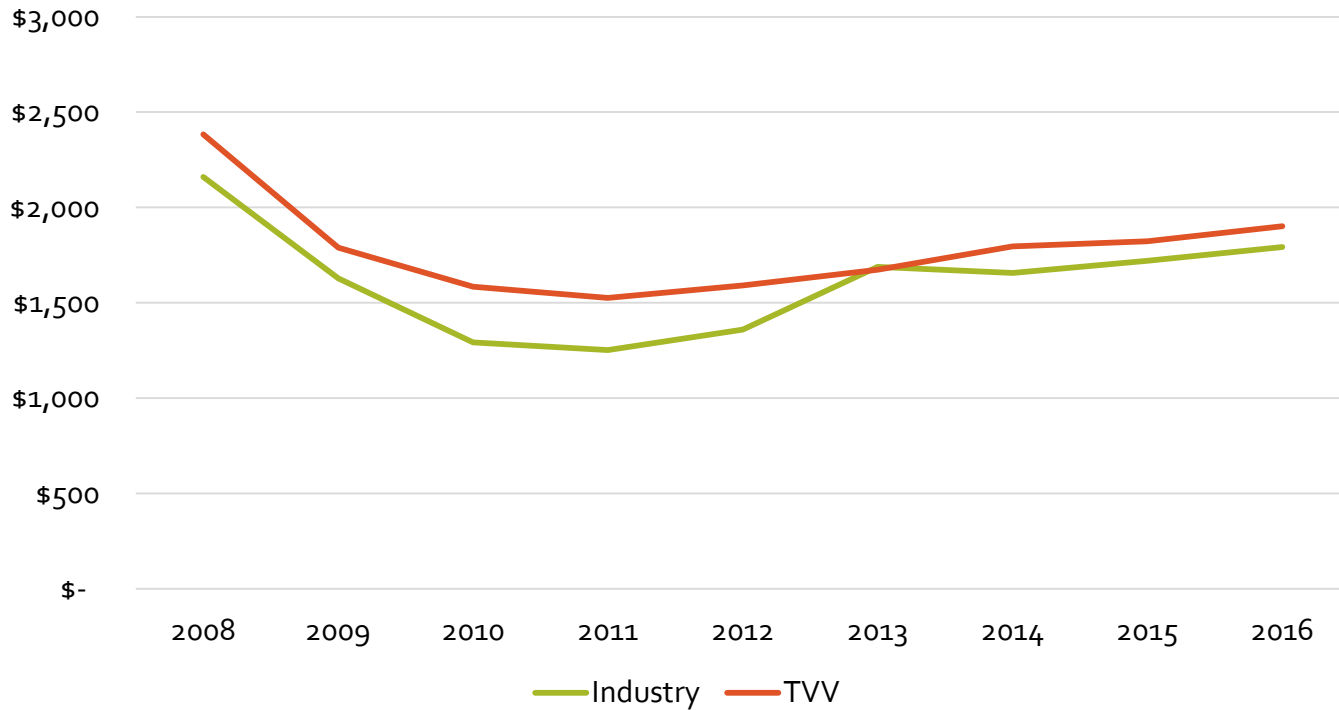


**HEALTH AND SAFETY**

- VISITORS BOOK
- EMERGENCY PROCEDURES
- MSDS SHEETS



# Average Grape Prices TVV vs Industry Average



# Water Storage

- As part of our risk management strategy the Board is investigating options for storing water for both of the Marlborough vineyards. The weather patterns are continually changing.
- This time last year we were suffering from an incredibly dry season with low Awatere river levels. Early in January Class B was cut off and we were just days from having all water (Class A) cut off, which was going to be catastrophic for the vines and the \$8m of crop they were carrying.
- The season suddenly changed and we had regular rains through to harvest. Unfortunately regular rains cause the Awatere River to run very dirty water. We cannot use the dirty water as it is very abrasive, causing damage to the pumps and blocking of the drip lines.
- Water from storage is used in times when the water levels are very low. It can also be used to irrigate when the river is running dirty water. It can take up to two weeks following rain in the high country to clear, without a drop of rain falling on the vineyards

# Dividend Setting

When setting dividends, your Board considers a number of factors including:

- Projected profit for the following year
- Required future Capital Expenditure
- Desire to provide a consistent return to shareholders
- Allowing sufficient cash reserve for a poor season
- Bank requirement to match dividend with reduction in total facility

# 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 and his Villa team and your loyal staff who perform the day to day duties on our vineyards. Thank you Garrie, Ian and Jonathan.
- I am sure our managers will mention in their addresses to you the successes of various grapes produced on your vineyards.



# 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 is looking at changing from our annual field days at the vineyards due to falling numbers attending. We will hold them less often and will look to replace them with some other function and update. One idea at the moment is to hold a de-gustation dinner here at this venue which would include an update of progress at the vineyards and a wine tasting session with the wine makers.
- I move that the annual report be adopted, ask for a seconder and before I put the motion I, open the meeting for questions and discussion.

