



2011 AGM

2.30pm

21st November 2011

Higgins Road Vineyard Winter 2011



Today's schedule

- At the conclusion of the formal part of the meeting's agenda we will have an overview of the industry from Sir George, and then a short break.
- I will then ask Tim Boyde-White and Wayne Johnson from Villa Maria's sales team to update you on what is happening in the market place. Ollie Powrie, Villa Maria's Chief Viticulturist will then address the meeting and will introduce our vineyard managers, who will give you a brief update on what is happening in your vineyards.
- This will be followed by a tasting of wines from the latest mail order, together with some food from the Vineyard Restaurant and an opportunity to talk with your Directors and vineyard managers.

Terra Vitae Vineyards Ltd

Financial Highlights

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

	2011	2010	2009	2008	2007
•Profit before tax & NZ IFRS adjustments	-\$216,831	-\$511,240	-\$619,900	\$2,926,328	\$1,253,576
•Grape Harvest Income	\$5,466,492	\$4,094,473	\$3,916,466	\$6,442,241	\$4,034,600
•Grape Harvest Tonnes	3585	2583	2189	2703	1814
•Average Price per tonne	\$1,525	\$1,585	\$1,789	\$2,383	\$2,224
•Dividend Declared (fully imputed)	na	na	na	2.0cps	1.6cps

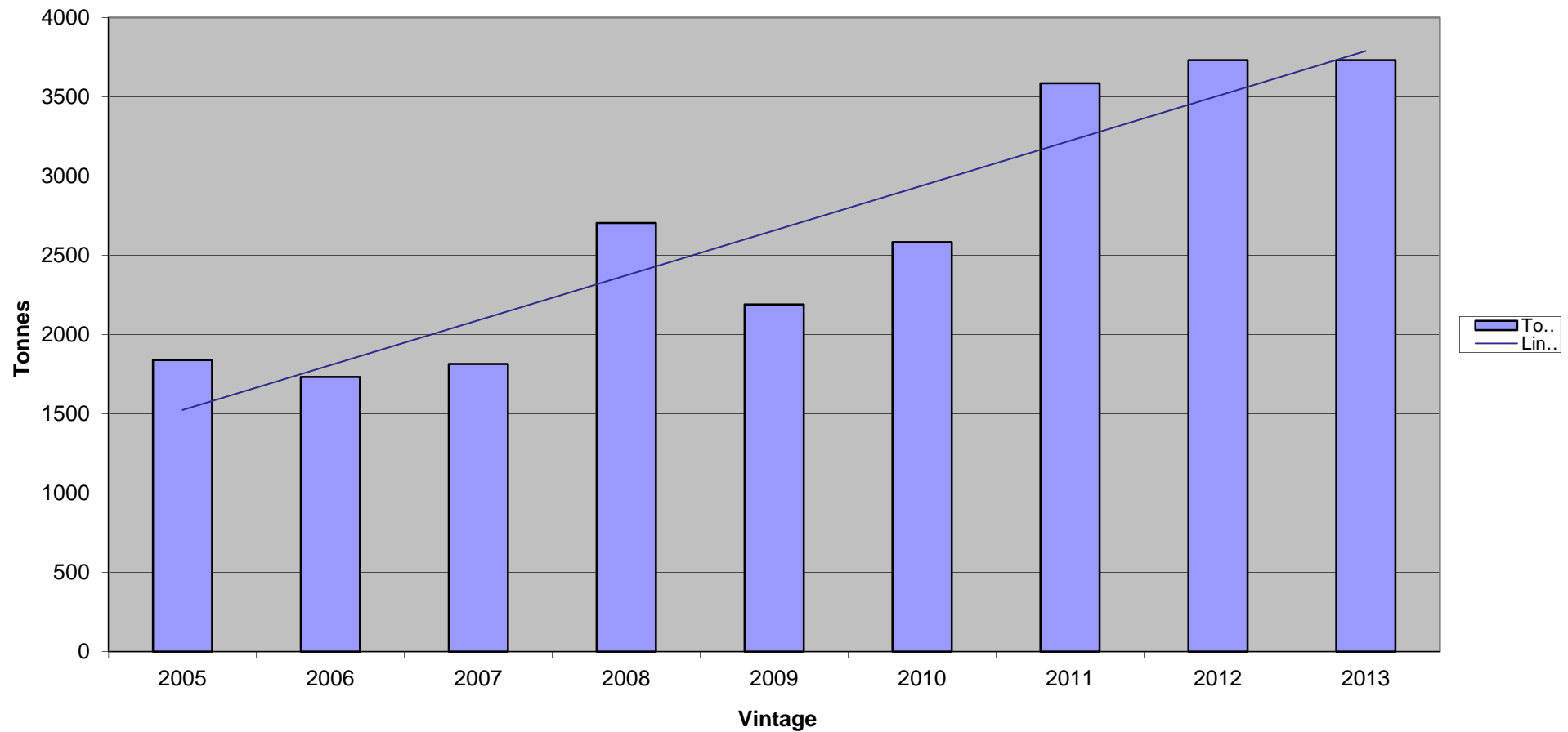
Terra Vitae Vineyards Ltd

Financial Highlights

- The Financial Accounts included in the 2011 Annual Report are reported under NZ IFRS.
- Under NZ IFRS and as a result of our Valuers' valuation as at 30 June 2011, fair value adjustment reductions of \$4,567,332 were taken to the Income statement.
- There continues to be distressed sales of vineyards and wineries which affects property values.
- We are currently tracking ahead of budget and with less frosts than average and a good flowering, have the potential to achieve above budget for the year.

Terra Vitae Harvest Tonnes

(budgeted from 2012)



Banking Covenant Issue

- The decline in vineyard values over the last three years has resulted in a technical breach of our banking covenants.
- We are having our normal annual discussions with our bankers as per the terms of our facility.
- We have an excellent relationship with Rabobank and are expecting a positive outcome over the next few weeks.

SHARE TRADES

Shares traded in past 12 months 222,500

Price range 24 to 38c

Present price 26c

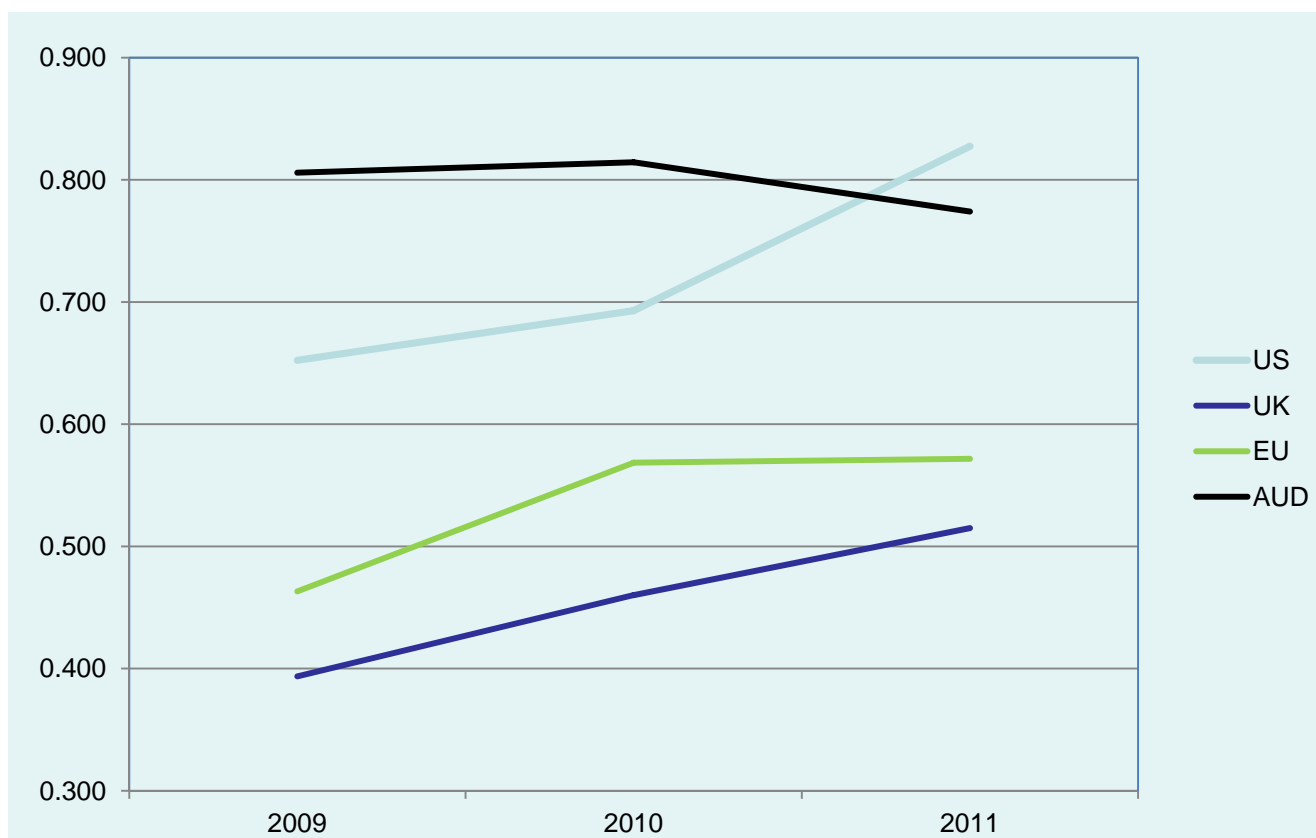
NTA per share \$0.65

Equivalent to original TVV price, last trade is \$0.71

Equivalent to original Seddon price, last trade is \$1.30

The external influences

- The continuing global crisis, now seriously affecting Europe is continuing to cause the \$NZ to remain high against our main trading partners

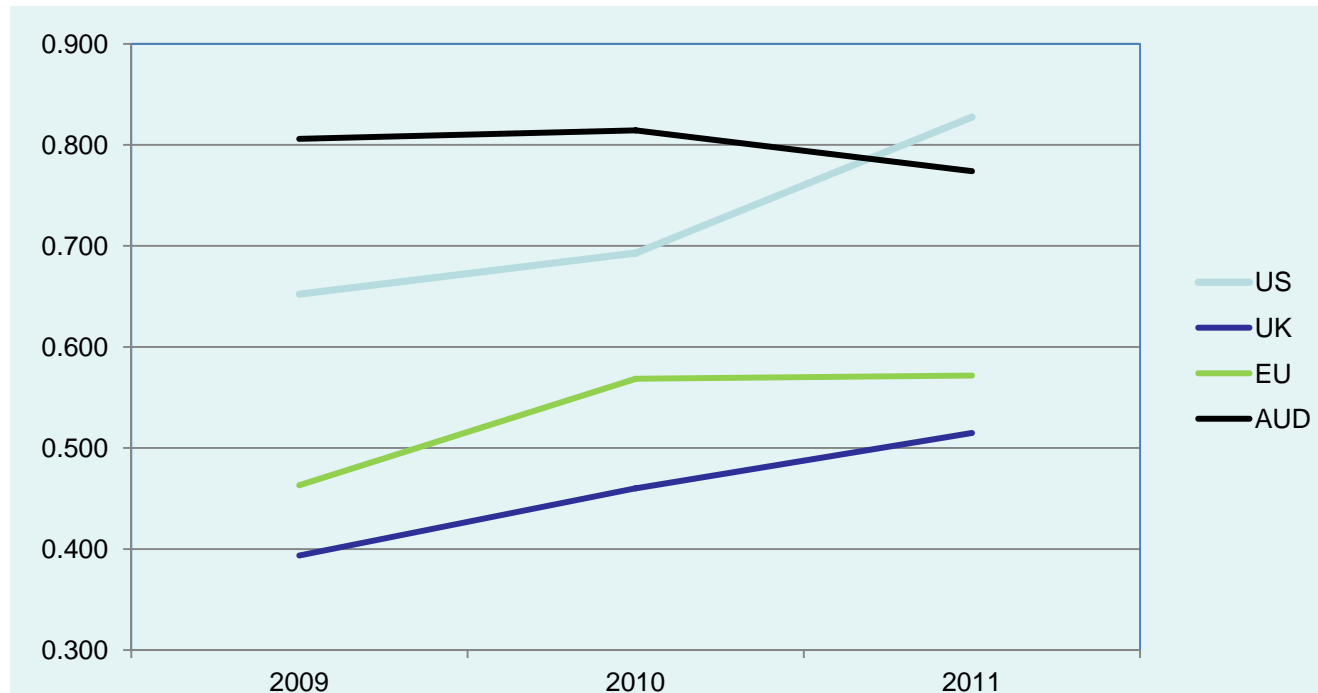


The external influences: movement in \$NZ over past 2 years

- \$US – up 27%
- GBP – up 31%

EU – up 23%

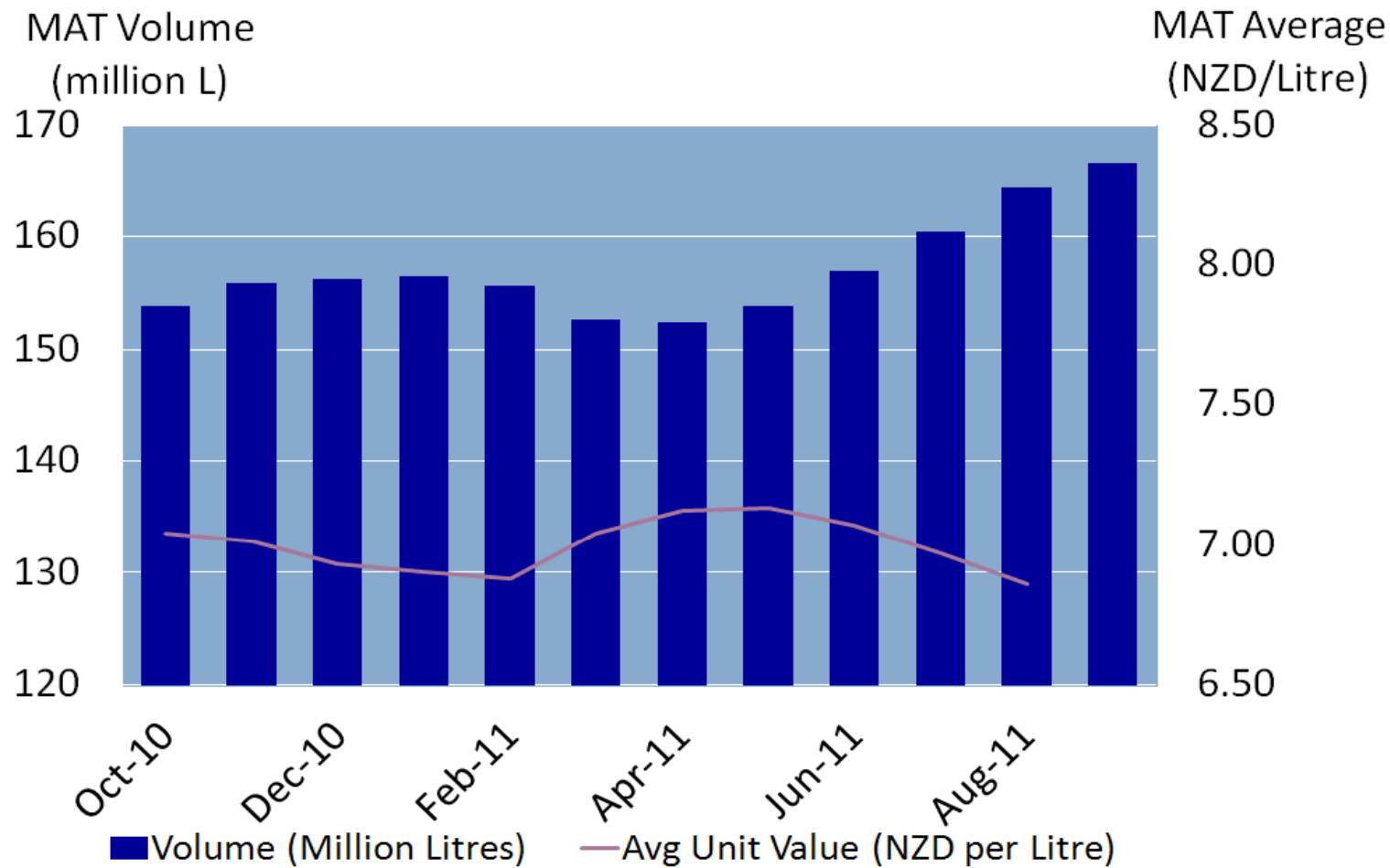
AUD – down 4%



The external influences: Growth in the bulk export market

- NZ wine export volumes increased 13.1% in the year to July 2011
- Bottled wine exports grew only 2.7%
- While bulk wine shipments grew 43.2%
- Bulk wine now makes up 25% of total exports

The external influences: Growth in the bulk export market



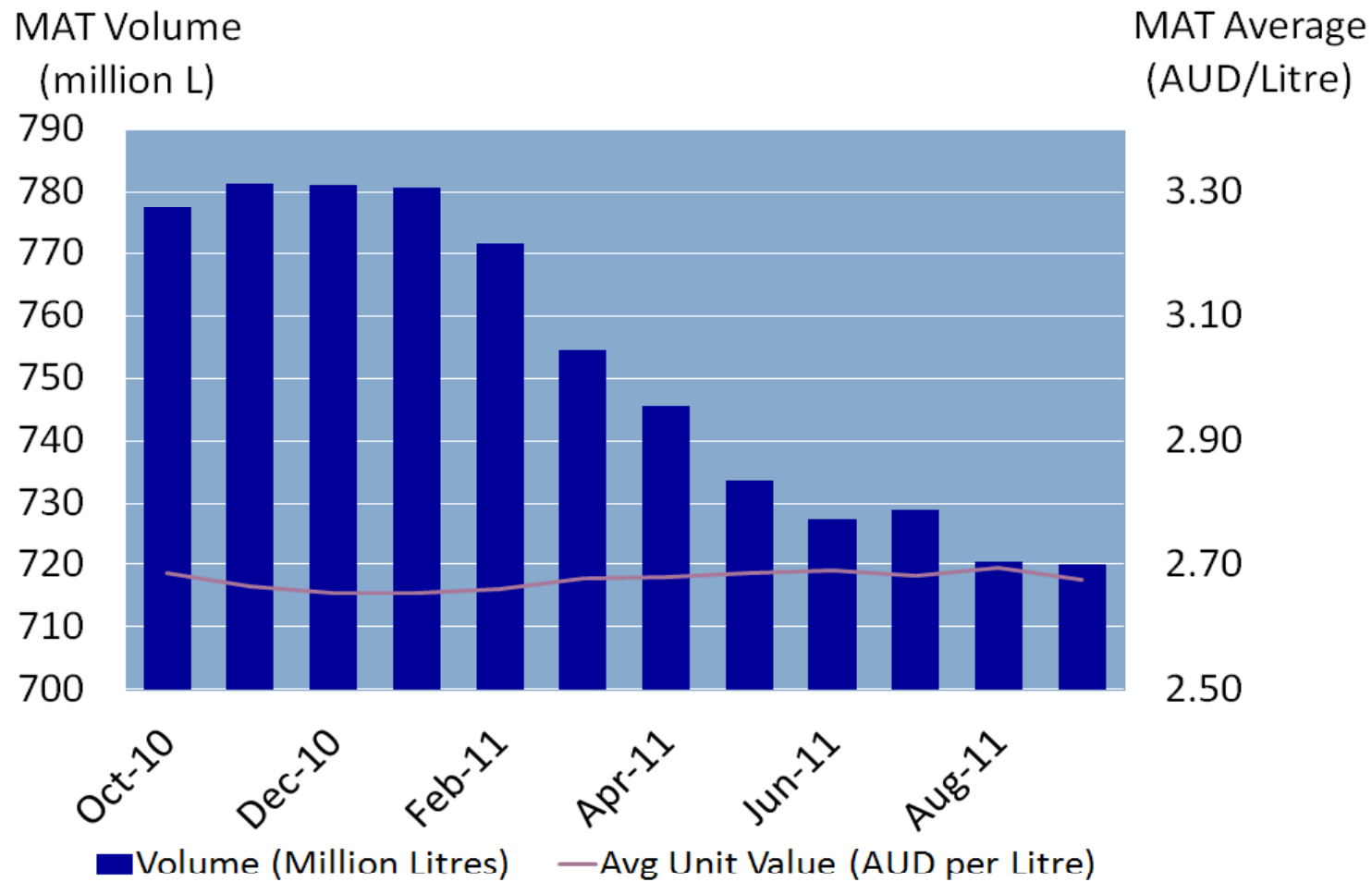
Source Rabobank, 2011

The fallout for the grower.....

Lower prices for grapes!!

- Over the past five years average grape prices industry wide in Marlborough have declined 50% .
(Terra Vitae 37%)
- In the Hawkes Bay the decline has been 21%
(Terra Vitae 6%)
- We have been insulated somewhat by our long term contract with Villa Maria and by the quality end of the market in which we operate.

But we do have a growing market.....
unlike Australia

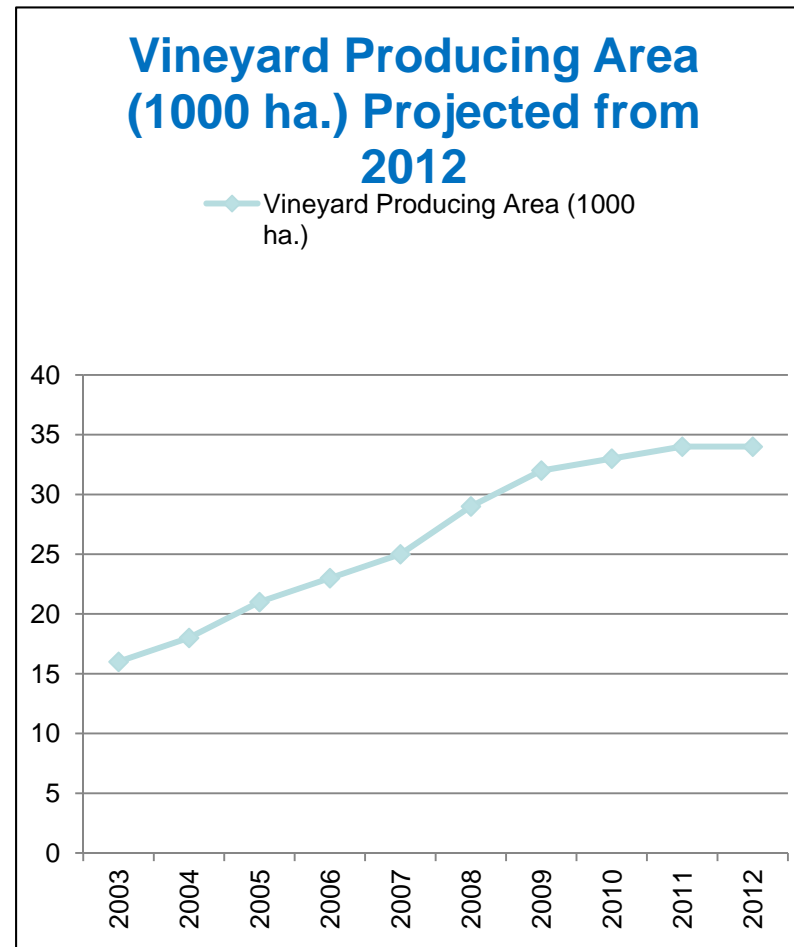
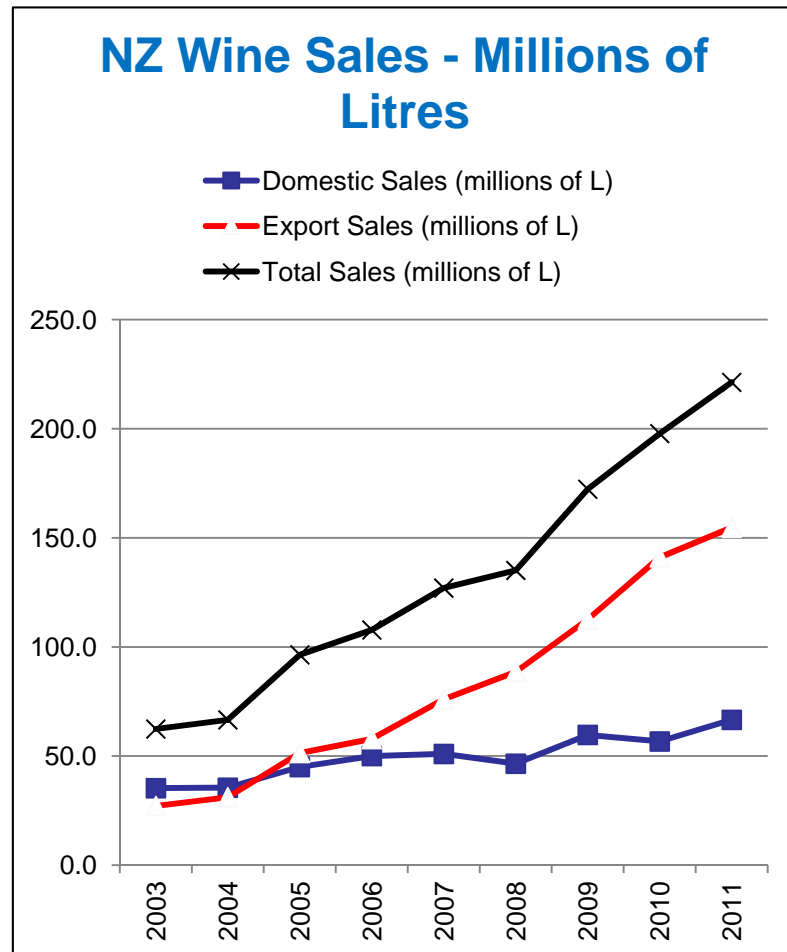


Source: Rabobank, 2011

Supply vs Demand

- Grape production and wine consumption are coming back into balance. The next slide shows the flattening out of new vineyard plantings against the backdrop of continued growth in wine sales.
- Whilst we are not there yet, we are moving in the right direction.

NZ Wine Sales vs Vineyard Area



We can't control

- The weather
- World wide economies
- The strength of the \$NZ
- The retail pressure on wine prices

But we can control our costs

- Through tight budgetary control
- Economies of scale
- Our vineyard managers taking ownership of the performance of their vineyards
- The Board continually benchmarks each vineyard against the others in the company and also compares itself with others in the industry when these statistics are made available

Benchmarking

- The statistics for similar sized vineyards are not yet available for 2011, however when comparing our vineyards production costs for 2011 against historic figures, we are aware of the following:
- Taylors Pass and Keltern operate within the industry benchmark
- Twyford Gravels is a more expensive vineyard to run due to its specialist nature and is paid on a per ha. basis to compensate for this.
- Seddon vineyard has probably the lowest production costs per ha. in Marlborough at some 40% below the industry average.

Saving costs through mechanisation – the Klima



And the Pellenc



Higgins Road

- The performance of the Higgins Road Vineyard has been to budget since inception.
- Development costs and timing were to budget as was the financial performance, which was within 0.2% of the original forecast for 2011 as set back in 2007.
- This has come despite lower grape prices, through higher yields and much lower production costs.

Vineyard financial performance 2011 vs 2007 projection

	ha.	Total 2011	Higgins	Other Vineyards
		373.40	151.57	221.83
Tonnes		3585	1395	2190
\$ Yield		\$ 5,466,491	\$ 1,975,081	\$ 3,491,410
\$ per ha. Yield		\$ 14,640	\$ 13,031	\$ 15,739
\$ per tonne yield		\$ 1,525	\$ 1,416	\$ 1,594
\$ contribution		\$ 2,203,341	\$ 1,207,881	\$ 995,460
\$ overhead allocation		\$ 447,332	\$ 181,580	\$ 265,752
\$ interest expensed		\$ 1,972,840	\$ 1,972,840	\$ -
\$ net operating profit		-\$ 216,831	-\$946,539	\$729,708
Original forecast		\$358,000	-\$949,000	\$1,307,000
Variance		-\$574,831	\$2,461	-\$577,292

Emphasis

- The company's emphasis has been on cost reduction through strategic machinery purchases and continual improvement in vineyard procedures.
- The Board is keeping a watch on the market for any opportunities that may arise for the company to add to its vineyard portfolio, but would only proceed if the opportunity was cash flow positive and had strong support from shareholders.
- This would most likely be done through a rights issue.
- The Board is keen to receive feedback from shareholders as to how they would likely view such a proposal of buying at what is a very low price cycle.

Challenges

- The year ahead will have its challenges around the markets of the world and the present international turbulence will continue to affect the wine industry. Currency values also have a major part to play in the returns for wines sold Internationally. (Villa Maria's sales team will update you on this).
- Within New Zealand there is still some balancing to be done with the supply and demand ratios which will continue to affect the grape prices for the 2012 vintage.

Celebration

- Congratulations to the Vineyard managers and the Villa Maria winemaking team for once again producing some outstanding wines from our vineyards.
- Congratulations also to Sir George Fistonich for the Lifetime Achievement Award presented to him in London recently at the International Wine Challenge.

I move we adopt the annual report and financial statements
for the year ending 30.06.11

