PROUD PIONEERS

15 July 2015

Dear Shareholder

A number of newspaper and magazine articles have been published since KWV's Annual General Meeting ("AGM") on 26 June 2015. Although it is not customary for the group to respond to newspaper articles or public commentary, some of the articles are factually incorrect, unfairly malign the independent directors and in general is pernicious tabloid-style reporting which in our view warrants feedback and perspective to the shareholders who were not present at the meeting.

A shareholder representative, who according to his letters of representation speaks for less than 1,5 % of the KWV shareholding, has had a long history of being critical of Niveus as controlling shareholder of KWV, the management of KWV as well as my experience in the industry. His views are quoted by journalists, some of whom such as Ann Crotty in the Sunday Times and Business Day, have written one sided, factually incorrect and sensationalistic articles. In his analysis, he repeatedly makes basic arithmetic mistakes, misquotes facts and uses inappropriate comparatives. His views are not respected in the group and we believe he uses AGMs to generate publicity for himself and provide journalists with an easy, so called expert, view.

His criticism has now extended to the board members of KWV. It is alleged that the board members are not fulfilling their fiduciary duties with the primary evidence supporting this allegation that the board only met twice during the last financial year and that the share price has declined to around R5.50 (which he refers to as significant value destruction despite the growth in the NAV of KWV). At the AGM I indicated that, as is custom for the last four years, I present extracts from the KWV Chairman and CEO report as the primary content of my presentation. This year I also included some market share statistics of our competitor brands in the brandy category. A large portion of the CEO commentary was dedicated to brandy this year as approximately R700 million of our capital is invested in brandy stock and this is the primary reason that KWV's return on assets is lower than expected.

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I indicated that KWV's brandy portfolio performed particularly well this year as we grew our market share to 13,8 % from 10 % three years ago and according to the Nielsen data we were the only company that increased its market share in brandy. I also presented statistics regarding increases in our local wine sales (up 21 %), which is very encouraging. Our volumes were stable despite a brandy category, dominated by Distell with 70% market share, which declined significantly compared to other spirit brands. In addition, we are investing in growth markets and have acquired an additional ready-to-drink ("RTD") brand in order to provide further impetus to our RTD initiatives. Overall, we believe the group significantly improved its performance compared to the prior year. All of this is detailed in our annual report.

Despite these detailed metrics, Ms Crotty states unequivocally that the company's performance was poor. We increased our profits substantially from the prior year, grew market share in the brandy category and increased volume. Although export wine sales decreased from the prior year, the South African industry was under pressure, as evidenced by the decline in export wine volume of the largest producer and marketer of alcoholic beverages in South Africa. At the meeting, when this issue of the performance of the business was raised, we quoted the views of the second largest shareholder (representing 4,7 %) who indicated that it had very high regard for the management of KWV and confidence in their investment in KWV. She was not persuaded to include these views either. Ms Crotty is entitled to her views, if she has any, but we believe that responsible journalists have a duty to provide balanced reporting to enable readers to form their own opinion based on the accurate and complete facts.

Our Chairman, Marcel Golding, did not attend any of the board meetings last year. It is common knowledge that he was involved in a dispute with HCI and he elected to not attend board meetings while this dispute was being resolved. For this he apologised at the meeting and he recognised that this is not appropriate. We are however fortunate that we have a very able and experienced board. Our board members have diverse experience and have been or are board members of companies such as Naspers, Sanlam, ABSA, Tsogo Sun, HCI and Niveus. I explained that while we only had two formal board meetings, our board members have frequent interaction with me and have a detailed understanding of the business. I can assure you that they will not be dictated to and are appointed to the position because they believe that they have a contribution to make to KWV.

In the letter written by KWV's company secretary to shareholders, we indicated that the previous practice of trading shares through the KWV share-trading platform would cease due to an incomprehensible decision by the Financial Services Board. The business is unfortunately not of sufficient size to justify a listing on an alternative exchange and shareholders will not be able to trade their shares as easily as in the past. In other companies that find themselves in a similar position, the largest and / or controlling shareholders have elected to offer to buy-out minority shareholders. Given the share price of KWV and the discount that it is trading to NAV, Niveus has elected not to follow this route. At the AGM I indicated that the NAV of KWV might be as high as R25 per share so that there could be no inference that Niveus is trying to hide value from minority shareholders as has been alleged by certain shareholders in the past.

HCI and Niveus, when it acquired control of KWV, indicated that its first priority for business was to invest in the future of KWV. From this we have not waivered. We were not driven to unlock value by selling the art, building, estates or land in order to generate a short-term gain for shareholders. Our approach was to use our funds to ultimately attempt to capitalise on KWV's position as one of the top 50 wine brands in the world and to premiumise our brandy portfolio where we believe we are the world's foremost producer. This does however require time and ultimately we may not be successful. We are however improving the business every year, have continued to invest in the business and have a long-term view. The controlling and substantial shareholders of the group, including the boards of KWV, Niveus and HCI share this view and are in agreement with this strategy.

As I indicated in my report, the year ahead will be difficult but we are positive that our strategy for the business is appropriate in the long term. It is the prerogative of the majority shareholder to determine the strategy for business. Shareholders who do not have patience or who are only interested in short term gains may not be in agreement with these plans, but the vast majority of our 2,900 shareholders have been invested in KWV for many years and we believe they share our long term view of the business.

Yours truly

André van der Veen