

**Peter Lehmann Wines Ltd
Chairman's Address
To the Annual General Meeting
On Friday 31 October, 2003**

Shareholders, Ladies and Gentlemen,

Welcome to the 11th Annual General Meeting of Peter Lehmann Wines Limited. We are delighted to see so many of you, who have already sold your shares, present at today's meeting, as observers, in response to the managing director's invitation. You will always be friends of the company.

FINANCIAL PERFORMANCE

The year ended 30th June 2003 was a disappointing one, with the result being impacted by difficult trading conditions in most markets. Despite these challenges, the company managed to increase its revenue in both sales and dollar terms recording a 3% increase in revenue to \$46.6 million.

Profitability however, was affected by a reduction in gross margins, the result of increased competition and unprecedented discounting in Australia and overseas. Despite these events, your management team achieved a net profit of \$5.419 million, a reduction of 21.6% from the \$6.915 million achieved in the previous year.

In line with this profit decrease, the dividend was also reduced to 9 cents per share, fully franked, compared with 11 cents last year.

OUR PEOPLE

Results, particularly in difficult times, are not achieved without good people and effective leadership. On your behalf, I pay tribute to the unstinting efforts of Doug Lehmann and Robert Edwards as executive directors, who provided that leadership to the whole team.

The team at Lehmann's is dedicated hard working and they love what they do. On your behalf, I thank them.

Many of you will know that, just this week, Peter Lehmann Wines was named "Winemaker of the Year" at the London International Wine & Spirit Competition, one of the largest and most prestigious competitions in the world. This award is given to the wine company that wins the most medals in the competition. Our winemaking team of Andrew Wigan, Leonie Lange and Ian Hongell, were responsible for five gold medals, four silver and four commendations for wines ranging from our most expensive red, Stonewell Shiraz to our eminently affordable Barossa Semillon.

As the wines judged are from all wine making countries, this is a truly remarkable achievement. We celebrate their success.

TAKEOVER ACTIVITY

Your directors believe that the company's share price was inflated to some extent for much of last year, fuelled by takeover speculation. Ever since Allied Domecq appeared on our share register in March 2002, there have been market rumours that something would occur.

The speculation became a reality when, on 29th August, the day we announced our financial results for the year just past, Hess Wines Australia Pty Ltd launched a takeover

offer for the company at \$3.50 per share, with accepting shareholders entitled to retain the final dividend for 2003 of 5.5 cents per share.

It is now a matter of history that Allied Domecq, approached the board requesting an opportunity to conduct due diligence with a view to mounting an alternative bid. Allied did so and in early September, launched a bid of \$3.85 per share, conditional on 51% control and \$4.00 conditional on 90% control. Subsequently, we had matching bids of \$4.00 per share from Hess and Allied.

Shareholders who have, or will, sell their shares, into the current recommended offer from Hess of \$4.00 per share, have been the beneficiaries of a bidding contest between Hess and Allied. The contest was well publicised in the media, in Australia and overseas.

At times, it featured colourful exchanges between the bidders, the company's founder Peter Lehmann and myself as Chairman on behalf of the independent directors.

The result, to the delight of everyone in the company, was that Allied retired gracefully by selling their shares into the Hess offer and withdrawing their bid.

Your board, acting in the best interests of all shareholders, is extremely pleased that everyone here achieved what they wanted and shareholders had the opportunity to sell at a very good price.

Now that the dust has settled and Hess has won a decisive victory, the company embarks on a new and exciting era, controlled by the Hess group, influenced by the founder Peter Lehmann and managed by the existing executive team.

As at this morning, Hess have received acceptances and are entitled to 79.1% of the company's shares, with the remainder held as to 10.5% by Peter Lehmann and the balance of 9.4% held by others.

I take this opportunity to remind shareholders that the Hess offer closes next Tuesday, 4th November 2003, and your directors unanimously recommend you accept the Hess offer of \$4.00 cash for all your shares.

OUTLOOK

The results for the first quarter of the current year were reviewed at the board meeting earlier this morning. I can report that sales were a positive 9% ahead of last year; but net profit after tax was marginally below last year, prior to the impact of takeover costs.

This result was because of continuing pressure on margins, exchange rate and product mix variations.

In this competitive environment, the outlook for the year remains uncertain. The year will be impacted by takeover costs now estimated at \$2.9 million.

However prior to these takeover costs, management remains confident the company improve on last year's performance.

BOARD

During the year, Tony Froggatt was appointed a non-executive director with experience and expertise in the international drinks market, including wine.

Soon afterwards, Tony accepted a full time position as CEO of Scottish and Newcastle Breweries. With his workload, he took the decision to resign from the board. We wish to record our thanks to him for his brief but worthwhile contribution.

At this time last year, Peter Lehmann, our founder, retired from the board. Shareholders who attended last year's annual general meeting had the opportunity to congratulate Peter on a lifetime of achievement in and for the wine industry in Australia.

Peter has continued to contribute to the company since retirement with a consultancy to assist our marketing people. He has just completed a much publicised and highly successful trip on the company's behalf to Canada and Europe. We are grateful to him and to Margaret for their very personal efforts in furthering awareness of the brand in overseas markets.

In their spare time, whilst away, they conducted their own spirited defence of the company. We congratulate them on a fight well won.

As a consequence of Hess becoming the controlling shareholder some further changes to the board have been foreshadowed. Roger Wilson retires by rotation and will submit himself for re-election later in the meeting.

Harold Tilley and Neil Lister will resign at the conclusion of this meeting and I retire by rotation and will not be standing for re-election.

Harold Tilley has been a director for 10 years and has chaired our Audit committee. Harold's eye for detail and careful financial analysis have been a major feature of our board meetings. Through his efforts, his independence and personal integrity, the company has been enriched.

Neil Lister a director for 4 years also retires from the board today. Neil brought experience as a chief executive, in marketing and world wide distribution. Neil has chaired an informal committee on strategy and has brought a depth of understanding of international business to the board table. We have all admired the clarity with which he distils complex issues to their essential elements.

On your behalf, I thank Harold and Neil and wish them well with their endeavours in the future.

For myself, I have enjoyed my tenure on the board immensely. It has been a privilege to act as Chairman of such a fine board. I have learned much about wine for which I am indebted to Peter, Margaret and Doug Lehmann and Andrew Wigan in particular.

It has been an honour to serve and to share in the challenges and successes of Peter Lehmann Wines over the last five years. I shall miss the camaraderie and intellectual talent of the board and the executive management team, and the personal association and good times Harriett and I have enjoyed with Peter and Margaret in their home.

I congratulate Hess, represented today by Clem Firko, on having made an outstanding acquisition. I know the team here at Lehmanns look forward to the leadership you will provide into the future.

On behalf of my fellow directors we wish the company, its employees and all stakeholders, shareholders past and present, well for the future. Thank you for your past support. Neil, Harold and I will watch the company's progress with interest and continue to enjoy Peter Lehmann wines hopefully well into the future.