

**Peter Lehmann Wines Ltd
Chairman's Address
To the Annual General Meeting
On Friday 25 October, 2002.**

By now, you will all be aware that our founder, Peter Lehmann is to retire as a director of the Company and from executive employment, at the conclusion of today's annual meeting.

Later in the meeting we will hear from Wolf Blass who will pay Peter a personal tribute. From the board's point of view, a view shared by all staff and many beyond the Company, in the Wine Industry, The Barossa Community as well as many other areas of life where his influence has extended, we are sad to see him retire but delighted that he has agreed to remain as a consultant to the Company and its management team, to assist the Company with its continued brand development and further penetration of our markets in Australia and abroad.

Last year was another year of growth, producing a record result of net profit after tax of \$6.92m. The Company has increased its dividend to shareholders every year since listing, with the dividend for last year being 11 cents per share. This compares with a dividend of 3.5 cents per share in our first year as a Company when the number of shares on issue was approximately half what it is today.

Our revenue has increased every year since listing and our net profit after tax has also increased from \$1.35 million in 1994 to nearly \$7 million last year. All of this has been achieved through organic growth.

The growth and development of the Company over these years is in no small part, due to the commitment to excellence in winemaking, which is the culture of the whole Company – a culture inspired and nurtured by our founder. It is a rich legacy and one which we will safeguard.

In the Annual Report, you will have read of our trophy and medal wins during the year, including the coveted Sichel Trophy at the 2002 International Wine and Spirit Competition (London) for the 1997 Peter Lehmann Reserve Riesling which will shortly be released for sale to the public.

Since the beginning of the current financial year, our wine show success has continued.

In Brisbane we won the Con and Michael Frangos Memorial Trophy for The Best Gold Medal Winning Sweet Red Dessert Vintage Class 38.

In Perth we won the Altos Restaurant Trophy for The Best Riesling in the Show with the famed 1993 Reserve Riesling.

The Barossa Wine Show saw us take out two trophies:

- The Barossa Printmasters Trophy for Best Dry White Riesling one year old and older Class 2 – with the 2001 Reserve Riesling
- The Booth Transport Trophy for Best Museum White Wine Class 16 – 1993 Reserve Riesling.

At the Adelaide Wine Show we were awarded two trophies:

- JB Macmahon Trophy for The Best Limited Release Dry White
- F. Miller Trophy for The Best White Wine in The Show.

Both trophies won by the 1993 Reserve Riesling.

In addition to these trophies since July we have been awarded some 96 medals, including 11 gold medals.

This is testament to the fact that our Company makes excellent wine. This is the basis of our continued growth and success in all markets in which we operate.

That said, last year was our most challenging yet, with fierce competition and discounting in the Australian market and in the overseas markets, in which we operate.

Our management team met those challenges head on, and we were able to do so, successfully because of our brand recognition and the quality of the wine we make.

The consolidation taking place in the global wine industry is only highlighting the premium position that quality winemakers like Peter Lehmann hold. While large multibranded companies buy or merge with premium winemakers to gain their premium, superpremium or icon brands, knowledgeable wine consumers are increasingly turning to independent makers where they are prepared to pay for what they see as a more authentic and exclusive product. This is our intrinsic value and our future. Premium wine is not nor can it be a commodity.

CORPORATE GOVERNANCE

Your board is very focussed on accountability. It comprises a majority of non-executive directors. Each director has the right to seek independent legal advice at the Company's expense to assist them to discharge their duties.

We have always aspired to excellence in Corporate Governance and our policies are detailed fully in our Annual Report, including our policies on dealings in the Company's securities and the effort we make to ensure the market is fully and equally informed.

We are committed to transparency of reporting to the market and all shareholders. In this regard I wish to bring to your attention a matter affecting directors which is not mentioned in the Annual Report mailed to all shareholders and disclosed in the Full Financial Statements of the Company. The matter is retirement arrangements for Non-Executive Directors.

The Non-Executive Directors have entered into an arrangement with the company whereby they are entitled to compensation on retirement or loss of office. The benefit is payable for past services and is not to exceed the total remuneration paid to the director in the three years prior to retirement. The payment of such a benefit has always been permissible; but discretionary. This arrangement removes any uncertainty.

There has been much written over the past year about executive options. You will know that the board has a conservative approach to this; but we believe there is a place for equity and performance based remuneration. Our arrangements are within the guidelines suggested by the investment community, and by any measure extremely modest. Options outstanding represent approximately 2% of the issued capital compared with the limit tolerated by the investment community of 5%.

AUDITOR INDEPENDENCE

The debate which has been raging over auditing standards and auditor independence has given rise to a review of our arrangements with our auditors. Since listing, KPMG have provided external audit and tax compliance services. The federal government has recently announced a number of reform measures including a mandatory 5 year rotation period for audit partners. We are confident that the proposed measures can be readily met as they are not significantly different to current Peter Lehmann Wines practices. Over the past 9 years, 3 different audit partners have been assigned to our audit and this, together with the changes to the audit team

which occur through natural career progression, provide us with the appropriate level of independence and fresh eyes to scrutinise our operation on your behalf, as shareholders.

EXPANSION AND CAPITAL MANAGEMENT

The Company has a conservative mix of debt and equity to fund its operations and growth. At year end, our debt to equity ratio was 48%, which is responsible and in the view of your directors appropriate.

The substantial increases in grape intakes projected for the 2003 and subsequent vintages requires substantial investment in additional red fermentation capacity. The major winery upgrade, detailed in the Annual Report, with a budgeted cost of \$6.5 million, will double our present fermentation capacity, and greatly expand our storage capacity.

The acquisition, during the year, of the adjoining Andriske property has enabled us to plan and execute this expansion in a very efficient manner, with an emphasis on safety in work practices and moving materials around the site.

Last year we outlined our strategy to grow the company organically. We are not blind to acquisitions; but any acquisition would need to be earnings per share positive.

Our bankers have extended our facilities to enable funding of the entire expansion and growth of the business through debt.

Your board has always had a conservative approach to debt and gearing. Accordingly, we intend to reactivate the share purchase plan during the second half of the current year, to ensure continuity of an appropriate proportion of debt to equity.

THE MARKETPLACE

This year our primary focus has been on strengthening and improving our distribution arrangements in Australia and abroad to ensure we make the most of our opportunities in what is an increasingly difficult and competitive market environment. In this regard, I acknowledge the efforts to date of our marketing director Robert Edwards. He and his team are working harder than ever in these challenging times, and as always are creative and innovative in the solutions they bring to our market development issues.

OCCUPATIONAL HEALTH & SAFETY

The major risks involved in wine production, viticulture and sales are the use of hazardous substances, the operation of machinery, working in confined spaces and manual handling.

The Company is committed to and takes practical steps to provide all employees with a safe and healthy working environment and to implement and maintain an effective accident prevention program.

Occupational Health and Safety is managed at the highest level in the Company with the Managing Director as the Responsible Officer under The Occupational Health, Safety and Welfare Act 1986 and Regulations 1995. Day to day operations are delegated to the chief winemaker. Another wine maker serves as the OH&S Co-ordinator. The Company secretary represents the Company on the industry association OHS&W Committee and oversees the claims management process.

A safety committee is in existence and is active. The board receives regular reports from management, including the minutes of Safety Committee Meetings.

PEOPLE

Once again, the staff have distinguished themselves by combining to produce this year's record result. Morale is high throughout the Company with loyalty, trust and mutual respect, key features of our workplace.

On behalf of shareholders and the board, I thank all our people for what they have done and are continuing to do.

I wish to pay tribute to Des Ross, our inaugural chairman, who died during the year. His influence in the company lives on, we miss him and will continue to miss him. Our thoughts are with his widow Joyce and her family.

OUTLOOK

You will be pleased to know that we have commenced the year well, with results in the first quarter, ahead of last year. We see a continuation of difficult trading conditions as the major producers continue to offer special deals and discounts.

With the superb quality of our wines and our broadly based distribution network, together with the continuing innovation of our marketing team and the variety of wine styles offered, we believe we are in a strong position to compete aggressively and grow the Peter Lehmann brand both in Australia and overseas.