



**PETER LEHMANN WINES LIMITED FOR HALF YEAR ENDED 31 DECEMBER 2003**

	<b>HY03 \$000's</b>	<b>HY02 \$000's</b>	<b>% CHANGE FROM LY</b>
Revenue from ordinary activities	24,182	22,364	+8%
EBIT before individually significant items	4,405	4,947	-11%
Individually significant items (ISI)	2,794	-	+100%
EBIT after individually significant items	1,611	4,927	-67%
Interest Paid	849	718	+18%
Income Tax Expense	359	1,292	-72%
After Tax Profit	403	2,937	-86%
EBIT before ISI as % of Revenue	18%	22%	
Net Tangible Assets per share	\$1.26	\$1.28	
Basic Earnings per share	1.07 cents	7.89 cents	
Number of shares at 31 December 2003	37,968,933	37,311,433	

**INDIVIDUALLY SIGNIFICANT ITEMS**

During September and October 2003 PLW was subject to a takeover with the Hess Group AG and Allied Domecq PLC making counter offers. Hess Group AG has acquired 85.67% of the shares and Peter Lehmann, the founder, has reduced his holding to 10.35% of the shares. PLW incurred legal and adviser's costs of \$2,794,000 during the takeover.

**DIVIDEND**

As the half year result has been substantially affected by the takeover costs PLW does not propose to pay an interim dividend. A fully franked final dividend of 5.5 cents per share for the year ended 30 June 2003 was paid on 6 October 2003.

**STRUCTURE**

PLW is controlled by Hess Group Australia Pty Ltd, a wholly owned subsidiary of the Hess Group AG, a Swiss based family company. PLW has two wholly owned operating subsidiaries.

## **REVIEW OF OPERATIONS**

Domestic sales volume of the Peter Lehmann brand mirrored that of the previous year's first half. Revenue was down by 3% which was primarily due to product mix, with demand for lower priced wines increasing. While the market conditions remain extremely competitive the Company is confident that the sales targets for volumes and revenue will be achieved in the second half.

Twelve months ago PLW identified considerable shifts in market conditions within the UK and the Company conducted a full review of its strategies. New plans were implemented successfully, resulting in a 69% increase in sales volume and a 57% increase in revenue over the previous year's first half. Current indications are that strong full year revenue will be achieved in the UK market.

Continental Europe also experienced a strong first half over that of the previous year with sales volume increasing by 60%. Revenue increased by 40%, and reflects the increasing demand for the Company's lower priced entry point wines. The majority of countries within Europe where PLW has a presence, showed an increase over last year's first half, with Switzerland, Sweden and Germany leading the way. This strong growth is expected to continue through the second half.

Due to the planned changeover of distributors, sales to the USA market were modest. The Hess Collection Winery was appointed as PLW's USA distributor and this arrangement became effective from 1 January 2004. The Hess Collection Winery has an impressive working relationship with key distributors across the United States and all parties are confident that the PLW brand will achieve significant sales growth, aided by this association over the next year and beyond. Other export destinations including Canada, New Zealand and Asia have continued to perform well.

A major highlight was Peter Lehmann Wines being awarded the International and Australian Winemaker of the Year in the International Wine and Spirit Competition announced in London in late October 2003. It was especially pleasing to see that the Company's focus on quality winemaking was acknowledged with this prestigious award. Congratulations must go to PLW 185 independent Barossa Valley grape growers, cellar staff and the wine making team led by Andrew Wigan.

While sales volume has lifted over the past six months, the takeover battle that ensued during the second quarter between Allied Domecq PLC and Hess Group AG undoubtedly did have an impact on the performance of the Company. Hess Group AG was successful in its bid with them now controlling 85.6% of the Company, with the other major shareholder being the Company's founder Peter Lehmann with 10.3%.

The company remains positive that it will continue to achieve further growth in the second half. However margins will continue to remain under pressure with increasing demand for cheaper wines, stout competition in all market sectors, the high costs associated with doing business and the Australian dollar impacting on all export sectors.

### **FOR MORE INFORMATION:**

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