Stock Spirits Group PLC
Results for the year ended 31 December 2013

Stock Spirits Group PLC, a leading Central and Eastern European branded spirits producer, announces its results for the year ended 31 December 2013. These are the first year-end results since listing on the main market of the London Stock Exchange in October 2013.

FINANCIAL HIGHLIGHTS

- **Total revenue increased 16.4% to €340.5 million (2012: €292.4 million)**
- **Gross profit increased 21.1% to €173.6million (2012: €143.4million)**
- **Operating profit before exceptional costs increased 7.5% to €62.8million (2012: €58.4million)**
- **Profit for the year €8.9million (2012: €26.2million)**
- **Closing net debt of €46.3m**
- Adjusted EBITDA* increased 22.3% to €83.7 million (2012: €68.4 million)
- Adjusted free cash flow* of €83.3 million, 99.6% of Adjusted EBITDA*

OPERATIONAL HIGHLIGHTS

- Total volume up 11.4% to 17.4 million 9 litre cases (2012: 15.6 million)
- Several significant new product launches including new flavours of Lubelska, Stock Prestige and Bozkov
- Stock Prestige became the Group's 6th "millionaire" brand selling over 1 million 9 litre cases in 2013
- Poland
    - Completion of 'Project Polar' initiative to install fridges in traditional off-trade stores. One off €11.9 million investment to roll out 20,000 fridges
    - Exclusive agreement signed in August with Beam Inc. to distribute its products in Poland
    - We estimate the impact of the 15% Excise Duty increase had the effect of pulling forward €5 million of operating profit into 2013
- Czech Republic
    - Good recovery following the temporary prohibition in late 2012
    - Exclusive distribution of Diageo brands in Czech Republic effective from January 2014
- Italy & Other markets
    - Full year benefit of Italian manufacturing site closure in 2012
    - Other markets in line with expectations

Chris Heath, CEO of Stock Spirits Group, commented:
"We are pleased with the performance of the Group during what has been a very busy period. We have completed a successful IPO whilst delivering strong performances in all our key markets, and despite challenging economic conditions.

During the year we undertook two significant strategic initiatives to position the business for further growth, with both already producing encouraging early results. Our 'Project Polar' project in Poland has seen the successful installation of 20,000 branded refrigerators in traditional retailer stores across the country; and we have taken a significant step forward towards our goal of broadening our premium product offering through the exclusive distribution agreements with Beam in Poland and Diageo in the Czech Republic.

The 2014 year has started well, despite the challenges posed by the Polish Excise Duty increase, and the Group is well placed to capitalise on the opportunities available in the Central and Eastern European Region. We view the future with confidence."

* Stock Spirits Group uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. Details of the basis of calculation for Adjusted EBITDA, Adjusted EBITDA margin and adjusted free cash flow can be found in Note 6 of the preliminary announcement.

Management will be hosting a presentation for analysts at 9am on Thursday 27th March at:

Nomura
1 Angel Lane
London
EC4R 3AB

There will be a simultaneous web cast of the presentation via www.stockspirits.com with a recording made available shortly thereafter.

For further information:

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Lesley Jackson, Chief Financial Officer	
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A copy of this press release has been posted on www.stockspirits.com. The 2013 Annual Report and Accounts will be available on www.stockspirits.com on 10 April 2014.

This press release contains statements which are not based on current or historical fact and which are forward looking in nature. These forward looking statements reflect knowledge and information available at the date of preparation of this press release and the Company undertakes no obligation to update these forward looking statements. Such forward looking statements are subject to known and unknown risks and uncertainties facing the Group including, without limitation, those risks described in this press release, and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this press release should be construed as a profit forecast.

Notes to editors:

About Stock Spirits
Stock Spirits, one of Central and Eastern Europe's leading branded spirits and liqueurs businesses, offers a modern premium branded spirits portfolio, rooted in local and regional heritage. With core operations in Poland, the Czech Republic, Slovakia, Italy, Croatia and Bosnia & Herzegovina, Stock also exports to more than 40 other countries worldwide. Global sales volumes currently total over 150 million litres per year.

Stock Spirits holds the market leadership positions in spirits in both Poland and the Czech Republic, where it has invested in what is believed to be state of the art production facilities, and is one of the world's leading vodka producers. This includes having the number one leading vodka brands in Poland, Italy and the Czech Republic. Core Stock brands include products made to long-established recipes such as Stock brandy, Fernet Stock bitters and Limonce, as well as more recent creations like Stock Prestige and Czysta de Luxe vodkas.

Stock was created through the integration of Eckes & Stock and Polmos Lublin in 2008 and recently floated on the main market of the London Stock Exchange.

Stock supports and is active in the promotion of responsible and moderate drinking. For further information please visit: www.stockspirits.com

Chairman's Statement
Jack Keenan

I am pleased to write as Chairman of Stock Spirits Group PLC following the successful Initial Public Offering on the London Stock Exchange in October 2013 which attracted significant demand from investors. We are starting out on our journey as a fully listed company and I am personally very confident about the prospects of the Group.

The Group's performance has been very strong in 2013 and we continue to improve our results in marketing, new product development, sound financial management, operations and procurement. We expect that continued organic growth, combined with sensible acquisitions or mergers, will enable us to deliver results in line with our strategic plan.

The Group's two new distribution agreements, with Beam Inc. in Poland and Diageo plc in the Czech Republic, provide us with premium brands that complement our portfolio. These agreements demonstrate well the excellent quality of our trading platforms in both of these markets where we are the clear market leader in spirits.

People
Stock Spirits Group is a lean organisation at the top with most resources in the markets where we operate. The central management team has world class credentials with successful backgrounds in global spirits / consumer companies. We have implemented a revised remuneration policy in line with a public company, to ensure that the interests of the Executive Directors and senior managers are aligned to those of shareholders. Details of the new remuneration policy are contained in the corporate governance section of the report. All senior managers have a significant portion of annual remuneration tied to performance targets. A system of formal and informal performance evaluations leads to a culture that is built on results.

I would like to recognise the commitment of all our employees and thank them for their contribution to the Group's performance.

Governance
Stock Spirits Group complies with high standards of corporate governance as a London listed company. Following the IPO, we have a very strong Board of Directors. Combining with our CEO, Chris Heath, and CFO, Lesley Jackson, who have been building the business in recent years are three newly appointed independent Non-Executive Directors. The Board is benefitting greatly from the experience of Andrew Cripps, David Maloney and John Nicolson who chair respectively the Audit, Nomination and Remuneration Committees.

I would also like to express my gratitude to Karim Khairallah who serves as a shareholder Non-Executive Director representing Oaktree Capital Management. Karim has guided the development of Stock Spirits Group from the very beginning.

Looking Ahead

I believe that the outlook for Stock Spirits Group is very promising. We have a clear mission statement and strategic plan and a proven executive team.

I look forward to reporting on our progress as we deliver benefits to shareholders, consumers, customers and employees.

Chief Executive Officer's Statement
Chris Heath

2013 was an important and transformational year for Stock Spirits Group.

We listed our shares on the London Stock Exchange; we made significant progress towards our strategic goals; and we delivered strong performance in our key growth markets.

I am pleased with the strong performance we delivered during the year in a challenging environment. I would like to pass on my thanks to all our people who have made such a worthwhile contribution. Their support has been invaluable.

It is an exciting time to be leading Stock Spirits Group. We enjoy strong positions in our core markets, and selected market segments, within the Central and Eastern European Region. I believe that we are well placed to take advantage of the continued strong demand for spirits in the area we operate in. There is a long cultural tradition of spirits consumption in Central and Eastern Europe and I believe this will continue to underpin the success of the Group as we move forwards.

I am also particularly encouraged with the results we are seeing from a number of our key brands. In Poland, Czysta de Luxe has regained the leading position in the clear vodka market. Also in Poland, the new pineapple and apple additions to the Lubelska vodka-based liqueurs range have been very well received by consumers. In the Czech Republic, Božkov has had a very strong year, benefiting from the recovery in the spirits market following the temporary prohibition in late 2012. In Italy, both the clear and flavoured variants of Keglevich have performed well.

Listing on the London Stock Exchange

One of the major events for the Company during the year was the premium listing on the main market of the London Stock Exchange. The impact on the organisation of such an exercise is considerable and I commend the whole management team who retained a strong focus on our customers and the business during this busy period, avoiding distraction. We are well prepared to respond to the new requirements of a listed company and also take advantage of the opportunities presented.

Strategic initiatives

I would like to highlight two significant strategic initiatives that we undertook this year, both of which I am confident will lead to strong results in the future.

The first is Project Polar – the highly innovative installation of branded refrigerators at the point of sale in small local retailers in Poland, covering over half of the weighted volume distribution through this very important sales channel. The speed of this roll out demonstrates our proven ability to act swiftly using our operational management strength and, in this case, has provided us with first mover advantage. These branded refrigerators address consumer demand for chilled vodka, often for immediate consumption, while also displaying the Group's brands to best effect in our most important sales channel.

In addition to the capital expenditure incurred on the refrigerator programme, during the year we increased the size of the sales team in Poland. This has enabled us to further increase the level of service we offer to our customers and also supported the roll out of the refrigerators.

The second initiative relates to the two distribution agreements we signed with global spirits companies, Beam Inc and Diageo plc, which both serve to validate the success of our strategy and demonstrate the confidence of these leading global spirits companies in the quality of our distribution platforms. The Beam contract was signed in August 2013 and appointed us as the exclusive distributor of Beam's portfolio of whiskey and bourbon brands in Poland with effect from September 2013. Since January 2014, we have been the exclusive distributor of Diageo's premium brands in the Czech Republic. These agreements both support the strategic drive to strengthen the premium elements of our brand portfolio further.

Strong performance in our markets
We made some excellent progress in our key markets, despite challenging economic pressures and external factors such as the Polish excise duty increase effected from 1st January 2014.

The Group has delivered another outstanding performance against a challenging economic backdrop, recording growth in Net sales revenue, adjusted EBITDA* and adjusted EBITDA* margin.

Adjusted EBITDA* for the year was €83.7m a growth of 22.3% over 2012, and an adjusted EBITDA* margin of 24.6%.

The Group remains highly cash generative and has delivered adjusted free cash flow* of €83.3m, and a closing net debt to adjusted EBITDA* leverage of 0.55, providing the Group with sufficient funding headroom to support our growth ambitions.

New Product Development (NPD)
I am very proud of the Group's strong track record of developing successful new products and new variants of existing products. Following the Group's success with Czysta de Luxe, we formalised the NPD Programme. As a result we now have a structured framework for new product development which expedites our ability to launch new products.

People
One of our strongest assets is the quality of our people and the excellent team work found in the Group. Our business thrives on their energy and enthusiasm and their attitude and professionalism reinforces my confidence in our ability to continually improve our performance and achieve our strategic goals. We have a strong and distinctive culture which we continue to nurture.

Production
The Group continued to benefit from what we believe to be best in class production facilities in Poland and the Czech Republic. We also have a small distillery and production unit in the Czech Republic and an ethanol distillery in Germany. These facilities provide a total combined annual bottling production capacity of approximately circa 329 million litres based on current product mix, following the significant investment we made in recent years.

Outlook
The year has started well, despite the challenges posed by the Polish excise duty increase, and we view the future with confidence.

Building momentum behind our growth strategy is my personal priority for the coming year. Growing our market shares in our core regions and further developing our brand portfolio will strengthen our ability to maximise growth and shareholder value.

We are making excellent progress in our NPD Programme and in embedding our new distribution arrangements in Poland and the Czech Republic.

Our actions over the coming year will result in even stronger brands and a broader platform for driving growth across the business.

Chief Financial Officer's Review
Lesley Jackson

Top line growth driven by volume, price increases and an improving mix has produced a net revenue of €340.5m.

Revenue growth has been further assisted by successful new product launches in Poland and the Czech Republic, with the launch of new flavours of Lubelska, Stock Prestige and new pack formats for Božkov.

The full year benefit of the closure of the Italian manufacturing facility in Trieste coupled with the synergies generated from the first year of operating the Baltic distillery in Germany, acquired at the end of 2012, have improved the production cost base and delivered an underlying cost per case reduction.

During the year the Group invested in a larger sales force in Poland to further develop customer relationships and distribution, and to support the implementation of the branded fridges in the traditional trade stores. In addition, the integration of the Imperator business in Slovakia, acquired at the end of 2012, has also resulted in an increased investment in selling expenses.

Our underlying results have been impacted by the Polish duty increase. On the 1st January 2014 the Polish Government increased excise duty on strong alcohol by 15%. This resulted in a number of customers buying ahead of the duty increase and thereby increasing net sales revenue and operating profit in 2013 at the expense of net sale revenue and operating profit in 2014. We estimate that the impact of the duty buy-in was a 6% increase in sales volumes for Poland and a circa €5m increase in operating profit in 2013. We fully expect this impact to reverse during 2014.

Our results have also been significantly impacted by:

- The net gain arising on the disposal of the US business in 2012
- The expenses incurred on the IPO process in 2013
- Other non-recurring costs in 2013

As a consequence, operating profit of £47.7m shows a 44.2% decrease versus FY2012. The profit for the year of £8.9m shows a reduction from reported profit for FY2012 of £26.2m and has also been impacted by the large tax credit in 2013 (see note 9 of the preliminary announcement).

Given the significant impact of the IPO expenses, the financial performance measures have also been presented on an adjusted basis to provide greater transparency of the underlying commercial results.

The adjustments relate to costs classified as exceptional items (see note 7 to the preliminary announcement) and other non-recurring costs, discussed in note 6 to the preliminary announcement.

Taking into consideration these adjustments, the reported adjusted EBITDA is £83.7m (see note 6 to the preliminary announcement).

Removing the impact of the Polish duty increase in 2013, the underlying adjusted EBITDA for the Group for 2013 is £78.7m, revealing an underlying growth of 14.9%.

On a constant currency basis revenue shows an increase of 17.7% and reported adjusted EBITDA an increase of 22.8%.

In quarter 4 the Czech National Bank imposed measures to devalue the Czech currency to manage deflationary impacts. The measures taken by the central bank are expected to continue throughout 2014.

Non-recurring & exceptional costs

Within other operational overheads are a number of costs which are non-recurring. (Details of these costs can be found in note 6 to the preliminary announcement).

Following the IPO, the contract relating to management charges reimbursed to Oaktree Capital Management, the previous majority shareholder, terminated, and as a consequence these costs will not recur.

At flotation a new remuneration policy was implemented to bring the remuneration of Directors and senior management in line with a publicly listed company and replace the prior policy which supported a private equity business model. Under the prior policy a number of remuneration arrangements crystallised at IPO, and by their nature will not recur under the new remuneration policy.

Significant costs (classified as exceptional costs within the consolidated income statement) have been incurred during 2013 in respect of the IPO, the capital restructuring and the partial refinancing activity and are explained in more detail within note 7 to the preliminary announcement.

Adjusted EBITDA has been stated to remove the impact of these costs and a reconciliation is shown in note 6 to the preliminary announcement.

Finance income & expense and taxation

Finance costs shown within the consolidated income statement of €58.2m, primarily reflects the cost of debt within the capital structure prior to IPO, which consisted predominantly of senior unsecured debt instruments. These debt instruments attracted interest annually which was capitalised and not paid out in cash.

The Group undertook an extensive capital restructuring exercise prior to IPO which resulted in the senior unsecured debt instruments being partially repaid and the remaining balance converted to a single class of equity shares.

The devaluation of the Czech Koruna, discussed above, has also crystallised a significant financing foreign exchange loss of approximately €8m on the Czech business's intercompany loans denominated in Polish złoty and Euros. A further financing foreign exchange loss of €2.6m crystallised as a result of the post-IPO capital restructuring as a result of the movement in the pound / Euro exchange rate

Following the repayment and conversion of the senior unsecured debt instruments, going forwards interest cost will reflect expense predominantly relating to third party bank debt only.

The total tax charge for the year ended 31 December 2013 was a credit of €17.6m. The Group tax credit in the profit and loss account has been impacted by several non-recurring items:

- Significant loss before tax in the Group holding companies largely as a result of the pre-IPO finance structure (shareholder debt service costs) and IPO-related expenses and fees.

- Increased provision relating to potential Group tax risks (see note 9 of the preliminary announcement).
- Post-IPO corporate restructure which has crystallised a deferred tax asset and released a deferred tax liability resulting in a net deferred tax credit in the profit and loss account (see note 9 of the preliminary announcement).

Going forward benefits of the post-IPO corporate restructure will result in a large reduction to the Group cash tax expense. The benefit will flow to the Group profit and loss account, over a similar time period, but will be largely offset by the amortisation of the deferred tax asset discussed above for a period of years.

A full reconciliation of the Group tax charge can be seen in note 9 to the preliminary announcement.

Cash flow

The Group's business continued to be strongly cash generative during the year with adjusted net free cash flow of €83.3m (see note 6 to the preliminary announcement), an increase of €22.6m from 2012, and an adjusted cash flow conversion of 99.6% (88.8% in 2012).

The cash generated has been adjusted for a one off benefit of €40.3m relating to VAT which reversed in January 2014, and arose from the corporate restructuring following the IPO. This was purely a timing impact with the corresponding receipt of VAT having been received at the end of 2013.

There has continued to be a strong focus on the efficient management of working capital. The Group cash flow shows a full year cash inflow on working capital of €62.6m compared to €2.2m in 2012.

The 2013 inflow includes the €40.3m of VAT payable in Poland, discussed above. When this is excluded the cash inflow on working capital is €22.3m.

The Group has continued to invest in its capital asset base with expenditure on its production facilities and on branded fridges ("Project Polar") in Poland. This expenditure was partly offset by €4.2m proceeds received on the sale of the former production site in Trieste, Italy.

Net debt and financing

Net debt at the end of December 2013 was €46.3m, an increase of €15.1m versus December 2012, giving a year end net leverage of 0.55 versus 0.46 in 2012.

During the year a substantial amount of restructuring of the capital structure was undertaken to prepare the company for the IPO. This included the repayment of €162.2m of PECs and CECs (senior unsecured debt instruments), a partial refinancing of banking facilities resulting in a net increase of long term debt of €12.9m and the proceeds of €61.4m from the primary issue of shares at IPO.

The partial refinancing undertaken during 2013 resulted in amendments to the bank facilities to align them with terms common with a public company, following IPO. This included an extension in the maturity profile, relaxation and amendment of a number of clauses and a revision of the covenants. The debt was also restructured across all the trading balance sheets of the business to provide a more effective and tax efficient capital structure.

Together with the proceeds from the primary issue at IPO, and the net cash flow generated by the business, the Group closed the year with net leverage of 0.55. The headroom within the current bank facilities in addition to underlying cash generation has established an effective financing structure to support both organic and inorganic growth opportunities.

All debt is drawn in local currency to provide flexibility in facilities and a natural hedge for cash flow and balance sheet protection.

To protect the Group from movements in local country central bank lending rate changes, the Group has put in place hedging to cover a portion of the interest payable in Italy and Czech Republic with a fixed margin and to provide a cap on the level of the central bank lending rate in Poland.

Debt maturity profile

The Group's bank facilities consist of term loans of €175.4m and a Revolving Credit Facility (RCF) of €70m.

As at 31 December 2013 €8.6m of the RCF was utilised to back excise duty guarantees in both Italy and Germany. This utilisation reduces the available balance of the RCF but does not constitute a drawing, and as such the utilisation of the RCF is not disclosed as a liability on the Group balance sheet. There were no drawings under the RCF at 31 December 2013. Since the year end the excise duty guarantee in respect of our German business is in the process of being reduced by €2.1m.

Foreign exchange

The Group is exposed to the impact of foreign currency exchange with the major currencies being the Polish złoty and the Czech Koruna. The Group, where possible, aims to match currency cash flows, liabilities and assets through normal commercial business arrangements. An example of this is all external third party debt is drawn in local currency. There are no hedging instruments in place to manage transaction exposure, where this arises.

The Group will continue to monitor its foreign currency exposures and where necessary to appropriately manage risk, will implement hedging arrangements.

	Dec 2013 closing rate	Average rate
Polish złoty	4.15	4.20
Czech Koruna	27.40	26.07

The average rate above is the weighted average of the monthly average rates calculated on Group monthly revenue.

Equity structure

In preparation for the IPO it was necessary to undertake a revision of the equity structure of the Group, effective from the date of listing. The previous structure consisting primarily of senior unsecured debt instruments were partially repaid during the year, with the balance converted to a single class of equity shares at IPO.

The previous equity, consisting of 7 classes of shares, was also converted to a single class of shares at IPO.

As a consequence at the date of listing, and at the end of December 2013, the equity structure consisted of 200 million shares with a nominal value of £0.10 each.

Earnings per share

On a fully diluted basis the earnings per share at the end of December 2013 was €0.05 per share.

Prior to the IPO this was not a measure used in the business, and the previous capital structure, did not lend itself to calculate this in a meaningful manner. For comparison purposes the EPS as at December 2012 is calculated on the assumption that the post IPO capital structure was in place and the shareholder debt was converted to new shares in the PLC.

Directors' responsibility statement

Each of the Directors, whose names and functions are listed below, confirms that:

to the best of their knowledge, the consolidated financial statements and the Company financial statements, which have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis; and to the best of their knowledge, the announcement includes a fair summary of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces.

Directors

Jack Keenan	Chairman
Chris Heath	Chief Executive Officer
Lesley Jackson	Chief Financial Officer
Andrew Cripps	Independent Non-Executive Director
David Maloney	Senior independent Non-Executive Director
Karim Khairallah	Non-Executive Director
John Nicolson	Independent Non-Executive Director

27 March 2014

Consolidated income statement

for the year ended 31 December 2013

	Notes	2013 €000	2012 €000
Revenue	4	340,538	292,445
Cost of goods sold		(166,962)	(149,058)
Gross profit		173,576	143,387
Selling expenses		(69,673)	(55,043)
Other operating expenses		(41,136)	(29,929)
Operating profit before exceptional items		62,767	58,415
Exceptional items	7	(15,088)	27,001
Operating profit		47,679	85,416
Finance revenue	8	1,847	1,769
Finance costs	8	(58,206)	(58,172)
(Loss)/profit before tax		(8,680)	29,013
Income tax credit/(expense)	9	17,573	(2,852)
Profit for the year		8,893	26,161
Attributable to:			
Equity holders of the parent		8,893	26,161
Non-controlling interests		-	-
		8,893	26,161
Earnings per share, (cents), attributable to equity holders of the parent			
Basic and diluted	10	0.05	0.20

Consolidated statement of financial position

as at 31 December 2013

	Notes	2013 €000	2012 €000
Non-current assets			
Intangible assets - goodwill		60,366	60,303
Intangible assets - other		293,869	313,002
Property, plant and equipment		66,439	57,515
Deferred tax assets	9	21,974	9,240
Other assets		4,467	9,826
		447,115	449,886
Current assets			
Inventories		26,944	30,826
Trade and other receivables		166,776	129,722
Other assets		1	250
Current tax assets	9	1,795	1,629
Assets classified as held for sale		-	4,200
Cash and cash equivalents	13	129,610	138,718
		325,126	305,345
Total assets		772,241	755,231
Non-current liabilities			
Financial liabilities		163,275	155,922
Other financial liabilities		229	1,448
Deferred tax liabilities	9	44,794	62,704
Provisions		1,086	5,295
		209,384	225,369
Current liabilities			
Trade and other payables		74,017	58,744
Financial liabilities		5,841	8,119
Loans from shareholder	11	215	264,640
Other financial liabilities		712	242
Income tax payable	9	8,513	8,870
Indirect tax payable		149,910	74,986
Provisions		3,577	109
		242,785	415,710
Total liabilities		452,169	641,079
Net assets		320,072	114,152

Consolidated statement of financial position

as at 31 December 2013

	Notes	*2013* *€000*	*2012* *€000*
Capital and reserves			
Issued capital		23,625	15,246
Share premium		183,541	-
Merger reserve		100,799	-
Consolidation reserve		5,130	5,130
Other reserve		7,507	-
Foreign currency translation reserve		15,239	16,929
Retained earnings		(15,769)	21,069
Equity attributable to equity holders of the parent		320,072	58,374
Non-controlling interests		-	55,778
Total equity		320,072	114,152
Total equity and liabilities		772,241	755,231

Consolidated statement of cash flows

for the year ended 31 December 2013

	Notes	2013 €000	2012 €000
Operating activities			
Profit for the year		8,893	26,161
Adjustments to reconcile profit for the year to net cash flows:			
Income tax (credit)/expense recognised in income statement	9	(17,573)	2,852
Interest expense and bank commissions		45,604	58,172
Exceptional income relating to net gain on disposal of US operations and brands		-	(54,898)
Loss on disposal of tangible and intangible assets		548	688
Other financial income		(1,847)	(1,309)
Depreciation and impairment of property, plant and equipment		7,557	9,330
Amortisation and impairment of intangible assets and goodwill		1,697	18,419
Net foreign exchange loss/(gain)		12,602	(460)
Share-based compensation		6,740	256
Movement in provisions		(741)	(662)
		63,480	58,549
Working capital adjustments			
Increase in trade receivables and other assets		(31,446)	(3,263)
Decrease/(increase) inventories		3,882	(2,513)
Increase in trade payables and other liabilities		90,197	7,942
		62,633	2,166
Cash flows from operating activities		126,113	60,715
Income tax paid	9	(10,660)	(4,328)
Net cash flows from operating activities		115,453	56,387
Investing activities			
Interest received		1,171	1,309
Payments to acquire intangible assets		(1,463)	(1,355)
Purchase of property, plant and equipment		(19,411)	(9,950)
Acquisition of subsidiary, net of cash acquired		-	(6,071)
Proceeds from asset previously classified as held for sale		4,200	-
Net proceeds from disposal of US operations and brands	7	-	55,425
Net cash flow from investing activities		(15,503)	39,358
Financing activities			
Repayment of borrowings		(57,057)	(6,400)
Repayment of PECs and CECs	11	(162,185)	-
New borrowings raised		70,000	-
Interest paid		(14,635)	(18,329)
Other financial costs		(55)	(345)
Proceeds from shares issued		61,426	-
Share issue costs		(3,663)	-
Net cash flow from financing activities		(106,169)	(25,074)
Net (decrease) /increase in cash and cash equivalents		(6,219)	70,671
Cash and cash equivalents at the start of the year		138,718	64,787
Effect of exchange rates on cash and cash equivalents		(2,889)	3,260
Cash and cash equivalents at the end of the year	13	129,610	138,718

IPO Costs

Exceptional costs relating to the IPO included in cash flow from operating activities	7,100	-
Exceptional costs relating to the IPO included in financing activities	3,663	-
Total IPO costs	**10,763**	-

Notes to the Preliminary Announcement

at 31 December 2013

1. Corporate information

The preliminary statement of results was approved by the Board of Directors of Stock Spirits Group PLC (the "Company") on 26 March 2014. The financial information for the year ended 31 December 2013 contained in this statement does not constitute the Group's statutory financial statements for the year ended 31 December 2013 or 2012 but is derived from the Group's 2013 financial statements. Those financial statements will be delivered to the Registrar of Companies on 10 April 2014. The audit report was unqualified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The Company was incorporated on 12 September 2013 under the laws of England and Wales with the registered number 08687223 as Stock Spirits (UK) Limited. The Company was re-named Stock Spirits Group Limited on 2 October 2013 and was re-registered as a public limited company on 7 October 2013 with the name Stock Spirits Group PLC. The Company's registered office is at Solar House, Mercury Park, Wooburn Green, Buckinghamshire, HP10 0HH, United Kingdom.

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of OCM Luxembourg Spirits Holdings S.à.r.l. on 21 October 2013, the Company became a new parent entity of OCM Luxembourg Spirits Holdings S.à.r.l., a private limited company registered in Luxembourg in 2006. OCM Luxembourg Spirits Holdings S.à.r.l. is a holding company which owns companies involved in the production and distribution of spirits.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of branded spirits in Central and Eastern Europe.

2. Basis of preparation

These financial statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2013.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the entity can continue as a going concern in the foreseeable future.

3. Group reorganisation

As the Group has been formed through a reorganisation in which Stock Spirits Group PLC became a new parent entity of the Group, the consolidated financial statements have been prepared as a continuation of the existing group using the pooling of interests method. The difference in share capital and reserves resulting the use of the pooling of interests method of €5,130,000 was recorded as an adjustment to the consolidation reserve.

4. Revenue

An analysis of the Group's revenue is set out below:

	2013	*2012*
	€000	*€000*
Gross revenue from the sale of spirits	980,589	874,930
Other sales	5,649	908
Excise taxes	(645,700)	(583,393)
Net revenue	340,538	292,445

5. Segmental analysis

In identifying its operating segments, management follows the Group's geographic split, representing the main products traded by the Group. The Group is considered to have five reportable operating segments: Poland, Czech, Italy, Other Operational and Corporate. The 'Other Operational' segment consists of the results of operations of the Slovakian, International and Baltic Distillery entities. The 'Corporate' segment consists of expenses and central costs incurred by non-trading Group entities.

Each of these operating segments is managed separately as each of these geographic areas require different marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measure of revenue reported to the chief operating decision maker to assess performance is based on external revenue for each operating segment and excludes intra Group revenues. The measure of adjusted EBITDA reported to the chief operating decision maker to assess performance is based on operating profit and excludes intra-Group profits, depreciation, amortisation, exceptional items and non-recurring expenses.

The Group has presented a reconciliation from operating profit per the consolidated income statement to adjusted EBITDA below:

	2013	2012
	€000	€000
Operating profit	47,679	85,416
Depreciation and amortisation	9,254	9,694
Exceptional items (note 7)	15,088	(27,001)
EBITDA before exceptionals	72,021	68,109
Non-recurring expenses (note 6)	11,648	315
Adjusted EBITDA	83,669	68,424

Total assets and liabilities are not disclosed as this information is not provided by segment to the chief operating decision maker on a regular basis.

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at 31 December 2013

5. Segmental analysis (continued)

2013	*Poland* €000	*Czech* €000	*Italy* €000	*Other Operational* €000	*Corporate* €000	*Total* €000
External revenue	206,244	63,203	36,688	34,403	-	340,538
US revenue	-	-	-	-	-	-
External revenue excluding US	206,244	63,203	36,688	34,403	-	340,538
EBITDA before exceptionals	65,531	17,835	8,058	2,480	(21,883)	72,021
Non-recurring expenses	2,788	410	663	119	7,668	11,648
Adjusted EBITDA	68,319	18,245	8,721	2,599	(14,215)	83,669

2012	*Poland* €000	*Czech* €000	*Italy* €000	*Other Operation al* €000	*Corporate* €000	*Total* €000
External revenue	175,314	54,742	41,624	20,765	-	292,44 5
US revenue	-	-	(5,005)	-	-	(5,005)
External revenue excluding US	175,314	54,742	36,619	20,765	-	287,44 0
EBITDA before exceptionals	54,129	15,204	11,068	550	(12,842)	68,109
Non-recurring expenses/income	164	(187)	(38)	(250)	626	315
Adjusted EBITDA	54,293	15,017	11,030	300	(12,216)	68,424
US EBITDA	-	-	(3,847)	-	-	(3,847)
Adjusted EBITDA excluding US	54,293	15,017	7,183	300	(12,216)	64,577

6. Adjusted EBITDA, Adjusted EBIT and Free Cash Flow Bridges

The Group defines adjusted EBIT as operating profit before exceptional items and non-recurring expenses, and adjusted EBITDA as operating profit before depreciation and amortisation, exceptional items and non-recurring expenses. Adjusted EBIT and adjusted EBITDA are supplemental measures of the Group's performance and liquidity that are not required to be presented in accordance with IFRS.

6. Adjusted EBITDA, Adjusted EBIT and Free Cash Flow Bridges (continued)

	2013	2012
	€000	€000
Operating profit	47,679	85,416
Exceptional items (note 7)	15,088	(27,001)
Non recurring expenses*	11,648	315
Adjusted EBIT	74,415	58,730
Depreciation and amortisation	9,254	9,694
Adjusted EBITDA	83,669	68,424
Adjusted EBITDA margin	24.6%	23.4%

*Non-recurring expenses constitute OCM management fee, share-based payments, charges relating to the long-term incentive plan and profits or losses relating to disposals of fixed assets. Following admission to the London Stock Exchange the Group no longer pays management fees to Oaktree. In addition shares of OCM Luxembourg Spirits Holdings S.à.r.l issued under the share-based payments and commitments to grant options over share of OCM Luxembourg Spirits Holdings S.à.r.l were exchanged for Ordinary Shares and options to acquire Ordinary Shares respectively, upon the corporate reorganisation. The long-term incentive plan which existed prior to admission was amended so that 50% - 70% of accrued awards crystallised upon admission, being paid out in cash, with the remaining balances due being payable in October 2014. Non-recurring expenses represent the difference between EBITDA before exceptionals and adjusted EBITDA.

The Group defines free cash flow as net cash generated from operating activities (excluding income tax paid, certain exceptional items and their related impact on working capital adjustments), plus net cash used in or generated from investing activities (excluding interest received, net cash paid for acquisitions and net proceeds from the sale of subsidiaries).

	2013	2012
	€000	€000
Net cash generated from operating activities	115,453	56,387
Income tax paid	10,660	4,328
IPO costs included within cash flow from operating activities	7,100	-
Net cash pre investing and financing activities	133,213	60,715
Net cash generated from investing activities	(15,503)	39,358
Interest received	(1,171)	(1,309)
Cash flow pre financing activities	116,539	98,764
Proceeds from asset previously classified as held for sale	(4,200)	-
Cash impact of IPO costs included within financing activities	3,663	-
Cash impact of non-IPO exceptional items	7,628	7,771
Investments	-	9,634
Net proceeds from disposal of US operations and brands	-	(55,425)
Free Cash Flow	123,630	60,744
Free Cash Flow as a percentage of adjusted EBITDA	147.8%	88.8%
Polish VAT (due to timing of payment)	(40,306)	-
Adjusted Free Cash Flow	83,324	60,744
Adjusted Free Cash Flow as a percentage of adjusted EBITDA	99.6%	88.8%

7. Exceptional items

	2013 €000	2012 €000
Restructuring of Italian business(1)	(112)	5,802
Costs associated with the IPO(2)	7,100	-
Costs associated with potential disposal of the Group by majority shareholder(3)	460	2,972
Refinancing costs(4)	4,091	367
Czech alcohol ban(5)	73	1,006
Impairment of Italian goodwill(6)	-	16,500
Restructuring and merger of Slovakian businesses(7)	810	119
Corporate restructuring(8)	1,391	-
Other(9)	1,168	1,131
Disposal of US operations and brands(10)	107	(54,898)
Total exceptional items	15,088	(27,001)

(1) Restructuring costs in respect of the Group's Italian production, sales, distribution and administrative operations, including a relocation of some functions from Trieste to Milan. The credit for 2013 includes release of accruals previously made for redundancy costs and site restoration which were no longer required, offset by costs associated with the disposal of the property at Trieste, which is classified in the balance sheet as 'assets held for sale' as at 31 December 2012. In 2012 these costs were largely tax deductible.

(2) Advisory and legal costs including unrecoverable VAT in connection with the IPO. These costs represent the portion of costs incurred which were not capitalised. An additional €3,663,000 of costs were incurred, representing those costs capitalised in relation to the issue of new ordinary shares in Stock Spirits Group PLC, and were therefore attributable directly to the IPO.

(3) Advisory and legal costs including unrecoverable VAT in connection with the potential disposal of the Group by the majority shareholder.

(4) Legal and advisory costs including unrecoverable VAT in connection with the refinancing of the Group completed in October 2011 and June 2013.

(5) Costs associated with the relaunch of products following the lifting of the Czech alcohol ban in September and October 2012.

(6) Impairment of Italian goodwill.

(7) Reorganisation of the Slovakian businesses, including termination payments and legal costs incurred in relation to the merger of Stock Slovakia s.r.o. and Imperator s.r.o.

(8) Legal and advisory costs associated with the restructuring of the Group following completion of the IPO. This includes restructuring of IP arrangements in Poland, representing the internal transfer of Trademarks from Stock Wodka Polska S.A. to Stock Polska Sp. z.o.o.

(9) 2013 represents reorganisation of the Group's operations function, including termination payments, outsourcing of sales in Slovenia to a third party distributor and costs associated with the corresponding liquidation of Slovenian entity Stock Trade d.o.o., Ljubljana, costs relating to the acquisition and integration of Baltic Distillery GmbH and a provision for historic unrecoverable VAT in certain of the Group's subsidiaries. Costs in 2012 include legal and advisory costs associated with the asset purchase of Baltic Distillery GmbH and reorganisation of the UK and International businesses, including termination payments and increases in allowances for doubtful debts.

(10) The charge in 2013 relates to the write off of Gran Gala labels and legal costs associated with the disposal of the US operations and brands. 2012 represents the net gain from the disposal in October 2012 of the Gran Gala and Gala Caffe brands as well as the disposal of the US operations relating to Stock Spirits Group USA, Inc. The trading results of this business are included in Group operating profit up to the date of disposal as the activities do not fall within the definition of discontinued activities. Accordingly, the gain on disposal is included in operating profit as an exceptional item as detailed below. This disposal qualified for substantial shareholdings exemption, and consequently was exempt from capital gains tax.

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at 31 December 2013

7. Exceptional items (continued)

The major categories of historic assets disposed of were:

	Year ended 31 December 2012 €'000
Brands	527
Net assets disposed of	527

The net disposal proceeds were:

	Year ended 31 December 2012 €'000
Net consideration received	55,425
Net assets disposed of	(527)
Gain on disposal	54,898

8. Finance revenue and costs

	2013 *€000*	*2012* *€000*
Finance revenue:		
Foreign currency exchange gain	-	460
Interest rate swap instruments	676	-
Interest income	1,171	1,309
Total finance revenue	1,847	1,769
Finance costs:		
Interest payable on bank overdrafts and loans	10,506	11,990
Coupon interest on PECs	12,055	19,407
Interest payable on CECs	1,007	1,147
Interest payable on PECs	18,823	20,913
Foreign currency exchange loss	12,602	-
Interest rate swap instruments	-	714
Bank commissions, guarantees and other payable	2,950	2,556
Other interest expense	263	1,445
Total finance costs	58,206	58,172
Net finance costs	56,359	56,403

Notes to the Preliminary Announcement

at 31 December 2013

9. Income taxes

(a) Income tax recognised in profit or loss:

	2013	*2012*
	€000	*€000*
Tax (credit)/expense comprises:		
Current tax expense	4,565	8,215
Tax expense relating to prior year	2,589	1,167
Deferred tax credit	(27,041)	(6,530)
Other taxes	2,314	-
Total tax (credit)/expense	(17,573)	2,852
Consolidated statement of OCI		
Net gain/(loss) on actuarial gains and losses	-	-
Income tax (credited)/charged to OCI	(17,573)	2,852

Reconciliation of total tax expense

	2013	*2012*
	€000	*€000*
(Loss)/profit before tax	(8,680)	29,013
Accounting (loss)/profit multiplied by United Kingdom combined rate of corporation tax of 23.25% (2012 – 24.5%)	(2,018)	7,108
Expenses not deductible for tax purposes	8,922	14,556
Income not taxable	-	(14,980)
Effect of difference in tax rates	(3,180)	(4,982)
Impact of post-IPO corporate restructuring	(26,200)	-
Tax charge relating to prior year	2,589	1,168
Other taxes	2,314	-
Foreign exchange differences	-	(18)
Total tax (credit)/expense reported in the statement of comprehensive income	(17,573)	2,852
Effective tax rate	(202.5)%	9.8%

9. Income taxes (continued)

(a) Income tax recognised in profit or loss (continued)

Current tax liability:

	2013	*2012*
	€000	*€000*
Tax prepayments as of 1 January	1,629	2,832
Tax liability as of 1 January	(8,870)	(4,946)
Tax charge relating to prior year	(2,589)	(1,167)
Payments in year	10,660	4,328
Current tax expense	(4,565)	(8,215)
Other taxes	(2,314)	-
Provision for historic unrecoverable VAT	(810)	-
Foreign exchange adjustment	141	(73)
Net current tax liability	(6,718)	(7,241)
Analysed as:		
Tax prepayment	1,795	1,629
Current tax liability	(8,513)	(8,870)
	(6,718)	(7,241)

Transfer pricing

The Group is an international drinks business and, as such, transfer pricing arrangements are in place to cover the recharging of management and stewardship costs, as well as the sale of finished goods between Group companies.

Tax inspection

The Italian tax authorities have an open enquiry in the Italian subsidiary, Stock S.r.l., covering the years 2006, 2007 and 2008. Management are confident that adequate provisions are included within the Group accounts to cover any future settlement.

b) Unrecognised tax losses

The Group has tax losses which arose in the UK, Luxembourg and the Czech Republic of €40,000,000 as at 31 December 2013 (2012: €29,000,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. A deferred tax asset has not been recognised in respect of these losses as it is not known when the losses will be utilised in the relevant entities.

c) Temporary differences associated with Group investments

At 31 December 2013, there were €15,696,867 (2012 - €nil) of unprovided deferred tax liabilities in respect of taxable temporary differences in certain Group subsidiaries. The amounts are unprovided as the Group has determined that the payments which would crystallise the tax liability will not be made.

Notes to the Preliminary Announcement

at 31 December 2013

9. Income taxes (continued)

(d) Deferred tax balances

Deferred tax assets and liabilities arise from the following:

2013	*1 January 2013* *€000*	*Credited to income* *€000*	*Acquisition* *€000*	*Translation difference* *€000*	*Transfer* *€'000*	*31 December 2013* *€000*
Temporary differences:						
Brands	(52,639)	23,800	-	3,425	-	(25,414)
Other assets and liabilities	(825)	3,241	-	178	-	2,594
	(53,464)	27,041	-	3,603	-	(22,820)
Deferred tax asset	9,240	19,101	-	1,152	(7,519)	21,974
Deferred tax liability	(62,704)	7,940	-	2,451	7,519	(44,794)
	(53,464)	27,041	-	3,603	-	(22,820)

2012	*1 January 2012* *€000*	*(Charged) /credited to income* *€000*	*Acquisition* *€000*	*Translation difference* *€000*	*Transfer* *€'000*	*31 December 2012* *€000*
Temporary differences:						
Brands	(48,223)	(2,305)	(613)	(1,498)	-	(52,639)
Other assets and liabilities	(9,895)	8,835	(192)	427	-	(825)
	(58,118)	6,530	(805)	(1,071)	-	(53,464)
Deferred tax asset	7,514	1,155	-	571	-	9,240
Deferred tax liability	(65,632)	5,375	(805)	(1,642)	-	(62,704)
	(58,118)	6,530	(805)	(1,071)	-	(53,464)

Corporate restructuring

Post-IPO the Group completed corporate restructuring transactions which have given rise to a significant deferred tax asset which will be amortised over a five year period.

10. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. In this regard the dilutive effect of the convertible equity certificates (CECs) over shares in OCM Luxembourg Spirits Holdings S.à.r.l. has been considered in both 2012 and 2013. However the impact of the CECs is anti-dilutive and has therefore been excluded from the calculation of diluted EPS.

The resulting calculations for basic and diluted EPS for both 2012 and 2013 deliver the same figure to 2 decimal places.

Details of the earnings per share are set out below:

	2013	*2012*
	€000	*€000*
Profit attributable to the equity shareholders of the company	8,893	26,161
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	8,893	26,161
	No.	No.
	‘000	‘000
Weighted average number of ordinary shares for basic EPS	181,944	129,548
Potentially dilutive share options	1,544	-
Weighted average number of diluted ordinary shares adjusted for the effect of dilution	183,488	129,548
	€	€
Basic and diluted earnings per share	0.05	0.20

There have been no other transactions involving ordinary shares between the reporting date and the date of authorisation of these financial statements.

11. Loans from shareholder

	Current	*Non-Current*	*Current*	*Non-Current*
	2013	*2013*	*2012*	*2012*
	€000	*€000*	*€000*	*€000*
Unsecured – at amortised cost				
PECs (i)	215	-	243,855	-
CECs (ii)	-	-	20,785	-
	215	-	264,640	-

11. Loans from shareholder (continued)

(i) PECs: Preferred Equity Certificate. In November 2006, July 2007, March 2008 and June 2010, OCM Luxembourg Spirits Holdings S.à.r.l issued Preferred Equity Certificates totalling €172,037,029. These were redeemable after 49 years from the date of issue, if not previously redeemed by the holder. The PECs were not secured and carried interest at rates between 6% and 8.375%.

In April 2013 OCM Luxembourg Spirits Holdings S.à.r.l redeemed a portion of PECs totalling €80,000,000. In August 2013 OCM Luxembourg Spirits Holdings S.à.r.l redeemed additional PECs totalling €82,185,000. The payment on redemption was made to PEC Holders. These repayments were permitted distributions under the Group's ING loan facility and no events of default in relation to borrowing covenants have or will occur as a result of this transaction.

Immediately prior to admission to the London Stock Exchange in October 2013 the residual PEC payable balance, including accrued interest, were redeemed to 40,457,392 ordinary shares in Stock Spirits Group PLC. As at year end the PEC payable balance was fully paid with the exception of €215,000. This has subsequently been settled in full in March 2014.

(ii) CECs: Convertible Equity Certificate. In November 2006, January 2008 and March 2008 OCM Luxembourg Spirits Holdings S.à.r.l issued Convertible Equity Certificates totalling €21,778,258. These were redeemable after 51 years from the date of issue, if not previously converted or redeemed by the holder. The CECs were not secured and did not carry interest. CECs are regarded as compound instruments, consisting of a liability component and an equity component.

At the date of issue, the fair value of the liability component was estimated using the prevailing market interest rate for similar non convertible debt. The difference between the proceeds of the issue of the CECs and the fair value assigned to the liability component, representing the option to convert the liability into the equity of OCM Luxembourg Spirits Holdings S.à.r.l, was included in equity. The fair value of the convertible equity certificates was calculated using a useful life of 7 years.

Immediately prior to admission to the London Stock Exchange in October 2013 the CEC payable was redeemed to 7,850,067 ordinary shares in Stock Spirits Group PLC. As at year end the CEC payable balance was €nil.

12. Risk management

Capital risk management

The primary objective of the Group's capital management is to ensure that it has the capital required to operate and grow the business at a reasonable cost of capital without incurring undue financial risks. The Board periodically reviews its capital structure to ensure it meets changing business needs. The Group defines its capital as its share capital, share premium account, merger reserve, consolidation reserve, other reserves and retained earnings. In addition, the directors consider the management of debt to be an important element in controlling the capital structure of the Group. The Group may carry significant levels of long term structural and subordinated debt to fund investments and acquisitions and has arranged debt facilities to allow for fluctuations in working capital requirements. There have been no changes to the capital requirements in the current period.

Management manage capital on an ongoing basis to ensure that covenants requirements on the third party debt are met.

As mentioned above the Board periodically monitor the capital structure of the Group. The table below details the net capital structure at the relevant balance sheet dates.

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12. Risk management (continued)

	2013	2012
	€000	*€000*
Cash and cash equivalents	129,610	138,718
Interest payable	-	(19)
Floating rate loans and borrowings	(175,449)	(169,399)
Finance leases	(443)	(462)
Total net debt	(46,282)	(31,162)

13. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in statement of financial position as follows:

	2013	*2012*
	€000	*€000*
Cash and bank balances	129,610	138,718

Cash and cash equivalents are denominated in the following currencies:

	2013	*2012*
	€000	*€000*
Sterling	8,667	594
Euro	21,052	71,680
US dollar	346	726
Czech Koruna	11,136	11,645
Polish Zloty	84,158	52,143
Other currencies	4,251	1,930
Total	129,610	138,718

14. Principal Risks

Stock Spirits Group believes the following to be the principal risks facing its business. If any of these risks occur, Stock Spirits Group's business, financial condition and performance might suffer and the trading price and liquidity of the shares may decline

Stock Spirits Group operates in a highly competitive environment and faces competitive pressures from both local and international spirits producers. Competitors may adopt aggressive pricing policies and increase their sales through discounters, which may lead to downward pressure on prices and loss of market share. Stock Spirits Group has mechanisms and strategies in place to mitigate the damage of profit erosion but there is no assurance they may work in such economies and competitive environments. The Group is also dependent on a few key products in a limited number of markets which contribute a significant portion of its revenue. A reduction in revenue and/or a failure to develop successful new products may adversely impact the Group.

14. Principal Risks (continued)

A key strategy of the Stock Spirits Group is (i) the development of new products and variants; and (ii) the expansion, in the Central and Eastern European region, through the acquisition of additional businesses. Unsuccessful launches could hinder the Group's growth potential, cause the Group to lose market share and have a material adverse effect on the Group's performance. Failure by the Group to fulfil its expansion plans or integrate completed acquisitions could have a material adverse effect on the Group's growth potential and performance.

Risk concerning global economy

The Group's results depend on general economic conditions and could be affected by deterioration in the economic conditions of its key markets.

The Group's results are affected by overall economic conditions in its key geographic markets and the level of consumer confidence and spending in those markets. The worldwide financial and economic downturn, which began in late 2008, affected many business sectors including the industry in which the Group operates. The Group's key geographic markets in Central and Eastern Europe experienced a growth slow-down in 2012, reflecting the widespread economic crisis and domestic policy tightening in the largest economies. According to the International Monetary Fund, exports declined, confidence suffered and Western European banks decreased cross-border lending to Central and Eastern Europe. It is difficult to determine the breadth and duration of the recession and the ways in which it may continue to affect the Group's end consumers, suppliers, customers, distributors and business in general. In recent years, some consumers in the Group's key geographic markets have chosen to buy fewer spirits or to buy spirits which are heavily discounted as part of a promotion or to "trade down" by buying less expensive brands. Consumers may continue to take these actions in the future. In addition, customers may reduce inventory levels or increase their focus on private label brands. Competitors may also reduce prices in order to capture market share. Any worsening of the economic conditions in the Group's key geographic markets could lead to reduced consumer confidence and spending, reduced demand for products and limitations on the Group's ability to increase or maintain the prices of its products. In addition, governments may impose taxes and implement other measures to manage the economic conditions in ways that adversely affect the Group's business.

How we manage
We monitor and analyse economic indicators and consumer consumption trends, which in turn influences our product portfolio and new product development.

The Group could be subject to unexpected needs for liquidity, which could be exacerbated by factors beyond its control, including adverse capital and credit market conditions.

Market conditions could subject the Group to unexpected needs for liquidity, which may require the Group to increase its levels of indebtedness. Access to financing in the longer term depends on a variety of factors outside the Group's control.

How we manage
The Group maintains a strong focus on cash, our future requirements for funding and the overall external market for financing. We undertake regular and detailed reviews of both short term and longer term liquidity requirements by market. We enjoy good relationships with our existing banks and have developed relationships with new banks. The partial refinancing we completed in June 2013 increased flexibility within our banking facilities and we are confident that we have the appropriate processes and relationships in place to respond to any unexpected liquidity needs and have placed ourselves in the best position to access funding in the longer term.

Risks affecting the industry

Demand of products, consumers' tastes and preferences and distribution channels may vary in an adverse way for Stock Spirits Group's interests

Shifts in consumer preferences may adversely affect the demand for the Group's products and weaken the Group's competitive position. These shifts may result from factors over which the Group has no control and even if preventive or mitigating measures are to be put in place by the Group, there are no assurances they will work.

14. Principal Risks (continued)

A decline in the social acceptability of the Group's products may also lead to a decrease in the Group's revenue. In some countries in Europe, the consumption of beverages with higher alcohol content has declined due to changing social attitudes towards drinking.

Changes in the Group's distribution channels may also have an adverse effect on the Group's profitability and business. For example, a decrease in sales through traditional trade channels and increased sales through modern trade distribution channels (hypermarkets and discounters), may reduce the Group's profitability.
A significant portion of the Group's revenue is derived from a small number of customers. The Group may not be able to maintain its relationships with these customers or renegotiate agreements on favourable terms, which will lead to an impact in its financial condition.

How we manage
The Group undertakes extensive consumer research and has a track record of successful new product development to constantly meet changing consumer needs. We have developed a range of lower alcohol products and feel confident that we have the expertise to continue to develop products that meet and satisfy consumer needs.
We constantly review our distribution channels and our customer relationships. We understand the changing nature of the trade channels and customers positions within those channels. We trade across all channels and actively manage our profit mix within both channel and customer.

In the markets where Stock Spirits Group operates there are risks associated with "black market" sales of alcoholic beverages.

There are risks associated with the illegal and unlicensed production of alcohol in some of the countries in which the Group operates. This parallel market for the production and sale of illegal and unlicensed alcoholic beverages is known as the "black market". Despite active measures being taken against this market and the active involvement of Stock Spirits Group in fighting against it, the operation of the "black market" could result in reduced demand for the Group's products and erosion of its competitive position and/or lead to the introduction of regulations that may adversely impact the Group's costs or demand for the Group's products.

How we manage
We are active members of our local market spirits associations and seek to work with governments to proactively introduce regulation that helps to reduce the risk of black market alcohol.

Changes in the prices or availability of supplies and raw materials could have a material adverse effect on the Group's business.

Commodity price changes may result in increases in the cost of raw materials and packaging materials for the Group's products due to a variety of factors outside the Group's control. Also contracts with suppliers of raw materials usually last for certain time periods, such as one year. The Group cannot ensure that its centralised purchasing team's strategy can or will offset increases in the price of raw materials or that it will continue to be able to maintain its inventory of raw materials.

The Group may not be able to pass on increases in the costs of raw materials to its customers, and even if it is able to pass on cost increases, the adjustments may not be immediate and may not fully offset the extra costs or may cause a decline in sales volumes.

The Group has entered into forward purchase contracts for grain alcohol in the past to mitigate its exposure to changes in grain price but even if the Group participates in forward contracts in the future, these may not be sufficient to protect it against the adverse consequences of significant fluctuations in the price of raw materials. Increases in commodity prices, such as the price of oil, could also impact the Group's operational costs, such as transport costs.

14. Principal Risks (continued)

How we manage
Where possible the Group will negotiate term contracts for the supply of core raw materials and services on competitive terms to manage pricing fluctuations

Risks associated to regulations and litigations

The Group may be affected by litigation directed at the alcoholic beverages industry and other litigation.

The Group is and may in the future be subject to litigation in the ordinary course of its operations such as intellectual property claims, product liability claims, product labelling disputes and administrative claims. If such litigation results in fines or damages, payments, or the Group being required to alter its trademarks, labels or packaging, or causes reputational damage to the Group or its brands. Significant claims or a substantial number of small claims may also be expensive to defend and may divert time and money away from the Group's operations. In addition, litigation and complaints from consumers or government authorities may affect the industry as a whole. At the moment the Group has a litigation in Poland with one of its competitors, which affects the labelling of the brand Żołądkowa Gorzka.

How we manage
The Group has established clear processes and controls to monitor all product labelling, compliance with local regulations and litigation action. The Group has a centralised and clear process for intellectual property protection with an active and on-going coordination with the local markets so any changes in our current portfolio or new product developments are correctly protected.

Increases in taxes, particularly increases to excise duty rates, could adversely affect demand for the Group's products.

Distilled spirits are subject to import duties, excise and other taxes (including VAT) in each of the countries in which the Group operates. Governments in these countries may increase such taxes. Demand for the Group's products is particularly sensitive to fluctuations in excise taxes, since excise taxes generally constitute the largest component of the sales price of spirits. The import duty and excise regimes applicable to the Group's operations could result in temporary increases or decreases in revenue that are responsive to the timing of any changes in excise taxes. On 1st of January 2014 the Polish government implemented a 15% increase in the excise duty on spirits. Such increase leads to price increases across the Polish spirits market and may generate a decrease in the Group's sales volumes in Poland.

How we manage
Through our membership of local market spirits associations we seek to engage with local tax and customs authorities as well as government representatives and where appropriate provide informed input to the unintended consequences of excise increases eg growth of illicit alcohol and potential harm to consumers.

The Group may be exposed to liabilities under anti-bribery laws and any violation of such laws could have a material adverse effect on its reputation and business.

The Group is subject to laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK Bribery Act. Despite internal policies and controls, the Group's activities in Central and Eastern Europe and other markets may create the risk of unauthorised payments or offers of payments by employees, consultants, sales agents or distributors, because these parties are not always subject to the Group's control. Existing safeguards (such as the Group's anti-bribery and anti-corruption policies and training programmes) and any future improvements may prove to be ineffective. Violations of anti-bribery laws could result in severe criminal or civil sanctions being imposed on the Group and the Group may be subject to other liabilities and reputational harm.

How we manage
The Group operates a detailed anti-bribery and corruption policy and processes. Regular update training is conducted across the business and we undertake regular reviews to assess the adequacy and effectiveness of our policy and processes. We also carry on controls and checks in potential key partners before engaging with them.

14. Principal Risks (continued)

The Group may be exposed to tax liabilities resulting from certain tax audits.

The Group is subject to tax laws in the jurisdictions where it operates. The Group's effective tax rate in any given financial year reflects a variety of factors that may not be present in succeeding financial years and may be affected by the interpretation of the tax laws of the jurisdictions in which the Group operates, or changes to such laws. Changes in tax laws and related interpretations and increased enforcement actions and penalties may alter the environment in which the Group does business. In addition, certain tax positions taken by the Group are based on industry practice and external tax advice and/or are based on assumptions and involve a significant degree of judgment.

In addition, the Group has in the past faced, currently faces and may in the future face, audits and other challenges brought by tax authorities.

How we manage
The Group engages the services of a professional global firm of tax advisors and undertakes regular audits of our own tax processes, documentation and compliance. We aim to operate the business in a tax efficient and compliant manner at all times.

The Group is subject to extensive regulations limiting advertising, promotions and access to its products, and these regulations and any changes to these regulations could limit its business activities. Sales and operations facilities are also subject to significant government regulations.

Governments in the countries in which the Group operates impose prohibitions and/or limitations on the advertising and promotion of spirits, which can range from selective regulation to a near total ban (as is the case in Poland). Since advertising is an important way to reach customers, these limitations may inhibit or restrict the Group's ability to maintain or increase consumer recognition and support for its brands. They may also limit the Group's ability to successfully launch new products or brands. In addition, regulatory bodies in certain of the countries in which the Group operates have passed, and may pass, laws or regulations that seek to restrict or have the effect of restricting consumer access to alcohol by, for example, controlling the times when outlets are allowed to sell alcohol or increasing the minimum drinking age. On the other hand, in some of these countries, these prohibitions and/or limitations act as a barrier to entry to the alcoholic beverage markets, which, if removed, could allow more competitors to enter the market in which the Group operates.

Production, trade and distribution of alcohol are subject to strict regulations and the Group is required to obtain various administrative permits and approvals to carry out its business. Failure to comply with applicable regulations can result in criminal sanctions and loss of the permits or approvals required. In addition, the Group's production and bottling facilities and the Group's ethanol distillery are subject to varying levels of government regulation. The Group may incur significant costs to maintain compliance with increasingly stringent environmental and occupational, health and safety requirements, or to defend challenges or investigations relating to such requirements.

Also, changes to production and sales or labelling requirements for alcoholic beverages, could cause consumers to shift their beverage preferences and result in a reduction in the Group's revenue or in the Group incurring additional marketing or production expenses.

How we manage
The Group monitors all changes to the regulatory environment in which we operate. We ensure that we are compliant with all requirements, and implement changes to our policies and processes as appropriate. For example we were able to adapt our excise duty management processes immediately following the temporary prohibition in the Czech Republic in 2012 which enabled the Group's products to return to customers' shelves as the earliest opportunity, and limit the impact of the ban upon both consumers and the Groups results.

14. Principal Risks (continued)

Risks related to Stock Spirits Group's business

The Group's success depends on retaining key personnel and attracting highly skilled individuals.

The Group's success depends substantially upon the efforts and abilities of key personnel and its ability to retain such personnel. The executive management team has significant experience in the international alcoholic beverages and FMCG industries and has made an important contribution to the Group's growth and success. The loss of the services of any member of the executive management team of the Group or of a company acquired by the Group, could have an adverse effect on the Group's operations. The Group may also not be successful in attracting and retaining such individuals in the future.

How we manage
The Group operates a competitive remuneration policy that aims to retain, motivate and, where necessary, attract key individuals. We have developed a formal succession planning process to mitigate the risk of losing key personnel.

Inconsistent quality or contamination of the Group's products or similar products in the same categories as the Group's products could harm the integrity of, or customer support for, the Group's brands and adversely affect the sales of those brands.

The success of the Group's brands depends upon the positive image that consumers have of those brands. A lack of consistency in the quality of products or contamination of the Group's products, whether occurring accidentally or through deliberate third-party action, could harm the integrity of, or consumer support for, those brands and could adversely affect their sales. Further, a lack of consistency in the quality of or contamination of products similar to the Group's products or in the same categories as the Group's products howsoever arising could, by association, affect sales. In addition, counterfeited versions of the Group's products, and/or a lack of consistency in the quality of or contamination of such counterfeit products, could also harm the Group and affect sales. Also, the Group purchases a large proportion of the raw materials for the production and packing of its products from third-party producers or on the open market. It may be subject to liability if contaminants in those raw materials, mislabelling or defects in the distillation or bottling process lead to low beverage quality or illness or injury to consumers. In addition, the Group may voluntarily recall or withhold from sale, or be required to recall or withhold from sale, products in the event of contamination or damage. A significant product liability judgement or a widespread product recall may negatively impact the reputation of the Group's brands, even if a product liability claim is unsuccessful or is not fully pursued.

How we manage
We have strict production processes and quality is one of the key priorities for our production team. We have developed high quality products and we have invested in our production facilities (including the construction of our own rectifier of alcohol in Poland or the acquisition of our own ethanol production facility in Germany) in order to keep a quality consistency across our product portfolio. We also have a crisis processes and committee to deal with quality issues in the market.

The Group's operations are primarily in Central and Eastern European markets where there is a risk of economic and regulatory uncertainty.

In the Group's experience, the local laws and regulations in the region where it operates are not always fully transparent, can be difficult to interpret and may be applied and enforced inconsistently. In addition, the Group's strategy involves expanding its business in several emerging markets, including in certain Central and Eastern European countries that are not members of the European Union. Political, economic and legal systems and conditions in emerging market economies are generally less predictable.

14. Principal Risks (continued)

How we manage
The majority of countries that we currently operate in are part of the European Union, and therefore are subject to EU regulation. We monitor the economic conditions within each market and review our product portfolio, route to market and adjust our position accordingly. For example as a consequence of changes to the regulatory environment in Slovenia in recent years, it no longer became commercially viable for us to operate our own sales & distribution operation. We undertook a review of route to market options and transferred our distribution to a 3rd party distributor and closed our own operation in the country.

The Group's revenue is subject to seasonal fluctuations in consumer demand.

The Group's business is affected by holiday and seasonal consumer buying patterns, as well as any end of year price increases or decreases. If a major unexpected adverse event occurred during the high sales periods, this may result in a significant reduction in revenue and a deterioration in full year's earnings.

How we manage
The Group aims to mitigate against such risk by its operations across a number of markets, through a diverse product portfolio and being present across all distribution channels.

The Group's operating results may be adversely affected by disruption to its production and storage facilities or by a breakdown of its information technology systems.

The Group would be affected if there were a significant disruption to any of its production facilities, in particular to its main production facilities in Poland and the Czech Republic. As alcohol is highly inflammable, fire is a risk to the Group's facilities and employees, particularly at its production and storage sites. The measures which the Group has in place to mitigate this risk may prove to be insufficient or ineffective.

How we manage
In addition to holding appropriate insurance cover to protect the business in the event of a production disruption, our two primary bottling sites offer sufficient flexibility that each site is capable of bottling all of our core SKU's.

The Group's operations in certain markets may be disrupted if it is unable to enter into or maintain distribution agreements on favourable terms or at all.

Any failure to renew agreements with third-party distributors on terms acceptable to the Group, the termination of these agreements or a dispute with a distributor could result in disruption of the Groups normal distribution channels, incurrence of breakage costs and loss of sales or customers.

How we manage
The group monitors both our customer and product mix to ensure that we manage our profit delivery across our range of products, distribution channels and customers.

The Group may not be able to protect its intellectual property rights.

The Group cannot ensure that third parties will not infringe on or misappropriate its rights. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks or block sales of its products by alleging a breach of their trademarks and intellectual property. Applications filed by the Group in respect of new trademarks or patents may not be granted. In addition, some of the Group's intellectual property, such as brands that are deemed generic, may not be capable of being registered as the Group would desire. Further, the Group may not be able to prevent others from using its brands at all or in a particular market. Certain countries in which the Group operates may offer less stringent intellectual property protection than is available in Western Europe or the United States.

14. Principal Risks (continued)

How we manage
The Group has a strict and centralised process of intellectual property protection in coordination with local markets. The Group also works with external advisors at a worldwide level and within the markets to monitor any potential infringement of our trademarks and intellectual property rights.

The terms of the Group's financing arrangements may limit its commercial and financial flexibility.

The Group's commercial and financial flexibility is restricted by certain restrictive covenants under the terms of the existing credit facilities, which may require some banks' consents to carry on some big acquisitions and other activities. The financial covenants are tested in euro. Consequently, movement in the other currencies in which the earnings, assets and liabilities of certain of the Group's subsidiaries are denominated could adversely impact the Group's ability to comply with these financial covenants. The facilities also contains certain prepayment provisions, including the mandatory prepayment of all borrowings and the cancellation of all commitments under this facility upon a change of control of the Company or certain of its subsidiaries.

How we manage
The partial refinancing undertaken in 2013 took into consideration the short and medium term liquidity requirements of the Group and was completed to ensure that the Group had sufficient liquidity to support its growth ambitions.

The Group is exposed to foreign currency exchange rate risk that could affect operating results and comparability of results between financial reporting period as well as fluctuations in interest rates, mainly through increased interest expense.

The Group's business operations are subject to risks associated with fluctuations in currency exchange rates. The Group generates revenue primarily in Polish złoty and secondarily in Czech koruna and a large portion of the Group's assets and liabilities are denominated in złoty and koruna. Translation risk arises from the fact that, for each accounting period, the Group needs to translate into euro the foreign currency statements of financial position and income statements of its subsidiaries whose functional currency is not the euro, in order to prepare the consolidated accounts of the Group. This currency translation can cause unexpected fluctuations in both the statement of financial position and the income statement. The Group is also subject to foreign currency exchange risk in its transactions because its business involves transactions in a variety of currencies due to its wide distribution market and sourcing of raw materials in various jurisdictions. To the extent that it has incurred expenses that are not denominated in the same currency as related revenue, exchange rate fluctuations could cause the Group's expenses to increase as a percentage of its revenue. In addition, the Group currently does not have any hedging contracts with respect to foreign exchange rates.

Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by lenders, could increase the Group's financing charges and reduce profitability. The Group has entered into hedging arrangements, however, they only continue until 30 September 2014 and there is a risk that any hedging instruments used may not be completely effective, and the Group may be unable to extend or renegotiate on favourable terms its current arrangements.

How we manage
The Group aims to hedge transaction risk by matching cashflows, assets and liabilities through normal commercial activities where possible. For example all debt is currently drawn in local currency by market.
We monitor currency exposure as an integral part of our monthly review process and where appropriate will implement hedging instruments.

27 March 2014