Stock Spirits Group PLC

Results for the year ended 31 December 2015

Stock Spirits Group PLC, a leading Central and Eastern European branded spirits producer, announces its results for the year ended 31 December 2015

FINANCIAL HIGHLIGHTS

- **Total revenue €262.6 million (2014: €292.7 million)**
- **Operating profit decreased 22.3% to €41.7 million (2014: €53.6 million)**
- **Profit after tax €19.4 million (2014: €35.8 million)**
- **Closing net debt of €57.2 million (2014: €82.4 million)**
- **Proposed final dividend of €0.0455 per share giving total 2015 dividend of €0.058 per share, a 55% increase on 2014**
- Adjusted EBITDA* €53.7 million (2014: €66.4 million)
- Adjusted free cash flow* of €46.9 million, 87.2% of Adjusted EBITDA*

OPERATIONAL HIGHLIGHTS

- Total sales volume of 11.8 million 9 litre cases (2014: 14.4 million)
- 43 new product launches including Stock Prestige sparkling, new flavours of Fernet and Bozkov and a new premium vodka “Amundsen Expedition”
- Poland
  - Market value share decline from 38.1% to 30.9%
  - A return to profit growth in H2 (versus H2 2014) following a poor H1, full year EBITDA of €37.7m is €15.4m lower than 2014
  - Remain the leader in the important flavoured vodka category, No. 2 position in total vodka (including flavoured vodka)
  - A further year of value and volume growth for Jim Beam
- Czech Republic
  - Market value share increase of 2.1% to 35%
  - Top line growth in sales revenue and EBITDA growth of over 13%
  - Another year of strong growth of Fernet brand following launch of new flavours and further brand building investment
  - Growth in value and volume share of Diageo Captain Morgan and Johnnie Walker brands
- Italy & Other markets
  - Excise duty (January 1st 2015) increase passed through to consumers in Italy
  - Strong EBITDA growth in our Other markets
  - Strong performance on the Beam Suntory brands in Croatia and Bosnia

Chris Heath, CEO of Stock Spirits Group, commented:

“2015 saw another year of disruption in the Polish market and I am personally very disappointed that we had to issue revised profit guidance in November 2015. Our team in Poland have worked incredibly hard to put in place the necessary building blocks to return the business to growth and I acknowledge their hard work and commitment during this difficult period. In other markets, I am very pleased with the results we achieved in 2015 and it reassures me that our commercial strategy remains valid and robust. In all of our markets we achieved profit growth in the second half compared to the same period in 2014.

We have recently completed a thorough strategic review of the Group and a detailed ‘root and branch’ review of our operations in Poland. Whilst both reviews have reaffirmed the principal elements of our strategic goals, they have also identified a number of areas where we need to adapt our strategy and actions, to reflect changes in the Polish

competitive environment and the ongoing difficulties in making meaningful acquisitions in CEE to broaden our geographic footprint.

Our cashflow remains strong and leverage at the year end is a little over 1x, providing the Group with a very robust balance sheet going forwards. The Board is very pleased to propose a final dividend of €0.0455 per share, with the full year dividend represents an increase of over 55% versus 2014. In addition, if we are not able to announce a meaningful acquisition in the near term, the board will consider the best way to return further capital to shareholders.

The Board are focussed on the delivery of our strategic and operational goals, in order to return the business to sustainable growth."

* 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 5.

Management will be hosting a presentation for analysts at 8am on Thursday 10 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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Clinton Manning

A copy of this press release has been posted on www.stockspirits.com.

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 100 million litres per year.

Stock holds strong market 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. 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 Zoladkowa de Luxe vodkas.

Stock was created through the integration of Eckes & Stock and Polmos Lublin in 2008 and floated on the main market of the London Stock Exchange in October 2013.

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

Chairman's Statement
David Maloney

As Chairman of Stock Spirits Group PLC, I am pleased to present our Annual Report & Accounts for the year ended 31 December 2015.

Since becoming Chairman of Stock Spirits I have met with many shareholders and listened to their views. These views have been considered, fed back to my Board colleagues and discussed accordingly. I look forward to meeting investors (old and new) again in the near future.

2015 was a very difficult year for the Group in Poland where a number of factors adversely impacted our overall results. Whilst the Group results are highly influenced by the results of the Polish business, it is important not to overlook the performance in our other markets which have delivered strong results, in some cases ahead of our expectations. In particular in the Czech Republic and Slovakia we have continued to demonstrate our strength and success in new product development and our capability to work with partners and grow their brands with equal commitment to our own portfolio.

Our ongoing focus on effective cash management across the Group, resulted in strong cash generation again in 2015, and we ended the year with a robust balance sheet and net debt of €57.2m.

The need to issue revised profit guidance in November 2015 was very disappointing, especially given the various initiatives the team had undertaken during the year to overcome the challenges we face in Poland. As a consequence of issuing the revised profit guidance and the subsequent impact on the share price, I initiated a review of Group strategy, as well as a full 'root and branch' review of the Polish market and our business in that country.

Our CEO, Chris Heath, will cover the Polish review in his section of this report so I will not go into detail here.

The Board's key conclusions arising from the Group Strategic Review are:

• The principal elements of our strategic goals outlined at the time of the Group's Initial Public Offering in October 2013 are still valid. However we cannot ignore the significant changes in the Polish market and the ongoing difficulty of completing meaningful acquisitions in the Central and Eastern European region. The latter has been impacted by the effective elimination, in the short-term, of two of the principal countries previously earmarked as potential acquisition targets i.e. Ukraine and Belarus

• The Board believes that the Group is currently too dependent on the Polish business, especially in an environment where margins are under severe pressure from competitors. We will therefore continue to seek value-accretive acquisitions to grow the footprint of the business. However, the area targeted for geographic expansion will be broadened to include other European countries beyond Central and Eastern Europe and we will consider larger deals which will move the dial.

• In addition, a number of assets have been identified which we feel are intrinsically undervalued. If we are unable to deliver an enhancement in the value of these assets in the short-term, we will seek other opportunities to realise their intrinsic value, which may result in their disposal

• There will be a renewed focus to further extend the portfolio of third party products in our core markets, utilising the strength of our distribution platforms which will help to diversify and strengthen our product portfolios

• An ongoing review of the cost base has identified a number of opportunities to deliver savings, which will be partly reinvested in other areas of the business that we intend to strengthen. This will include significant investment in upgrading our Sales and Marketing capabilities

• With regard to shareholder returns, should the business not announce a meaningful M&A transaction in the near term, the Board intends to increase the dividend and to distribute surplus cash to shareholders. Ahead of this, the Board is recommending a final dividend payable in respect of the full year 2015 of €0.0455 per share (2014: €0.025). The total dividend payable in respect of 2015 will be some 55% higher than the previous year

In November 2015, the Group completed a very successful refinancing process. The new facility provides the Group with greater flexibility, considerable headroom and significantly lower finance costs going forwards.

People
Our people are key assets of the business and I would like to recognise the commitment of all our employees and thank them for their ongoing contribution and support during this difficult period.

There have been no changes to the Directors' Remuneration Policy. Executive Directors and senior managers' interests remain fully aligned with shareholders as the majority have a very significant personal investment in the Company.

Governance
I would firstly like to thank Jack Keenan, who retired from the Board as Chairman in May 2015. Jack oversaw the business in its transition from a private equity owned business to a public company on the London Stock Exchange. My Board colleagues and I wish Jack well in his retirement.

Following my appointment as Chairman, the Board subsequently appointed Mirek Stachowicz as an Independent Non-Executive Director. Mirek, who is already making an important contribution, brings extensive experience of Central and Eastern Europe, and Poland in particular, together with a wealth of FMCG knowledge. I welcome Mirek to the Board and look forward to working with him.

Andrew Cripps was appointed in November as the Senior Independent Director following my appointment as Chairman. All committee compositions are fully compliant with the Corporate Governance Code.

I am personally very committed to high standards of Corporate Governance. The Board and its sub committees have met regularly throughout the year and full evaluations have been undertaken and discussed. In addition, a detailed review of controls and processes was initiated across the Group, and especially in Poland. Consequently a significant amount of work has been undertaken to strengthen and improve our control environment, and where appropriate systems and procedures have been changed. This work has been a key priority and is now nearing completion in Poland and is being rolled out in the rest of our jurisdictions in 2016.

I thank the Executive and Non-Executive Directors with whom I serve for their support and insight in helping to run the Group as effectively as possible.

Our new auditors, KPMG have managed a very smooth transition from our previous auditors. We continue to work with Ernst & Young as advisors for other services such as tax, debt advisory and transaction services, and other advisors for more specialist engagements.

Looking ahead
Firstly, I want to reiterate that having completed both a strategic and operational review, your Board and I are fully committed to turning around the fortunes of the Group and returning it to sustainable long-term growth.

The business has many strengths which we must build on, including our exceptional brands, our proven capability in new product development, a strong financial structure, our leading edge production facilities, and of course our

people. There is still much to do, but I am confident that the measures being taken are the correct ones, and with a fully motivated management team in place, I am sure we can deliver on our objectives.

Chief Executive Officer’s Statement

Chris Heath

2015 was another year of disruption in the Polish market and I am personally very disappointed that we had to issue revised profit guidance in November 2015. Our team in Poland have worked incredibly hard to put in place the necessary building blocks to return the business to growth and I acknowledge their hard work and commitment during this difficult period. Immediately following the year-end, we commenced a ‘root and branch’ review in Poland and I will comment on this later.

In other markets, I am very pleased with the results we achieved in 2015 and it reassures me that our commercial strategy remains valid and robust. Apart from Poland, where trading in quarter 1 significantly impacted our overall performance, we have seen EBITDA consistent or improved margins across all of our other core markets.

In the Czech Republic we grew our market share and delivered significant increases in both Net sales revenue and EBITDA. I am delighted with the success of the new products we launched during the year, particularly the new variants in the Fernet range, which helped to revive a category which has seen little excitement in terms of new products in the last few years. As market leader it is a great testament to the strength of our brand equity that we have been able to stimulate this category. Also boosted by successful new flavour launches, our Bozkov brand continues to go from strength to strength and remains the biggest selling spirits brand in the Czech Republic.

In both our International and Slovakian markets, we made great progress in 2015, with the successful launch of new products in Slovakia and the continued development of our tailored core product portfolios across the region delivering strong profit growth.

In Italy, we had a slow start to the year following the further excise duty increase on 1 January 2015. All spirits categories were impacted, but especially the brandy category as the excise increase followed on from other significant price increases driven by brandy raw material cost inflation. As leader of this category we were especially impacted by this, however the changes we made to our commercial activities resulted in more positive momentum during the second half of the year. In Italy we also retained our leadership of the vodka and limoncello categories. The forecast improvement in the underlying Italian economic conditions are very welcome, and we feel confident that this can only benefit the spirits category going forward. Being positioned with leading brands in important categories we expect to benefit from any improvement.

We now have significant third party distribution agreements in almost all of our core markets and all are performing well. The more established agreements in Poland and the Czech Republic have gone from strength to strength in 2015 and the new agreements to distribute Beam Suntory products in Croatia and Bosnia have made a great start. Our capability to launch and build premium brands from our distribution partners with equal passion and success as our own brands is a clear demonstration of our distribution strength and brand building credentials.

Returning to Poland, we dedicated much time and resource in 2015 to rebuilding important customer relationships, reorganising and restructuring our sales teams, launching new products, repackaging existing core brands and upgrading processes and controls where appropriate.

Our results in quarter 1 were very poor as the disruption following the significant excise duty increase in 2014 continued into 2015 and key customers significantly reduced their inventory levels of our products. Since then we have seen steady progress and improving financial results.

Encouragingly, from a consumer perspective, the vodka market continued to recover during the year, demonstrating the resilience of the underlying consumer demand despite the exceptionally large excise duty increase in 2014. As a result, over the whole year there was only a small decline in vodka volumes, whilst the vodka market remained flat in value terms. Throughout the year we continued to witness some very aggressive competitor activity where market share gains appear to have been driven at the expense of profit margins. As detailed later, delays in customer orders during the run-up to the key Christmas trading period adversely affected our quarter 4 results and led to the revised profit guidance issued in November.

Polish 'root and branch' review

In January 2016 we confirmed that our 2015 results would finish towards the top of our revised profit guidance and explained that in addition to the strategic review that had been initiated, we had also commenced a detailed 'root and branch' review of the Polish market.

A very rigorous and detailed exercise was undertaken in conjunction with Ernst & Young to examine our brands, our pricing, our new product development programme, our competitors, our customers, route to market and emerging trends. We also considered a number of scenarios that could result from the impending introduction of a new retail sales tax.

The key conclusions from the review of the Polish market were:

• After a period of accelerated volume decline due to the large shelf price increases caused by the excise duty increase in January 2014, consumer demand trends for vodka improved throughout 2015 and have stabilised at low single digit decline in volume terms

• This is despite the growth of beer volumes in 2015 due to the very warm summer and higher than usual level of beer promotional activity

• Apart from a short period of exceptionally warm weather in 2015, the long-term trend of flavoured-vodkas outperforming clear vodkas continues. Note that during hot weather, some flavoured vodka consumers temporarily switch to drinking clear vodka mixed with soft drinks

• Polish consumers have their favourite brands but some will switch brands when the price differential between directly competing brands becomes too large

• Consumers continue to want to try new products, especially new variants of existing, well established brands

• As well as whisky, some other non-vodka spirits categories are starting to grow, albeit from a very low base

• Vodka sales through discounters fell in 2014 but grew rapidly in 2015 due to aggressive pricing support from competitors. It is likely that this growth will continue for the foreseeable future, but probably at a slower pace as discounter penetration approaches saturation

• Despite the recent growth of discounters, traditional convenience stores have only lost a few percentage points of market share over the last five years and still represent the majority of vodka sales in Poland

• However, the traditional trade channel is evolving, with buying groups and regional chains taking a larger share of this channel

• It is too early to know exactly how the new retail sales tax expected to be introduced in Poland during 2016 will impact the market. This will need to be monitored and appropriate actions taken in a timely manner.

I will not cover all of the ways in which we are responding to the findings of the review as some are commercially sensitive, but some of the key actions include:

• Continually evaluate our route to consumer and adapt our business model as appropriate

• Increase the number of traditional and small format stores we cover directly or indirectly

• Continue to support our wholesaler partners

• Ensure that we get our 'fair share' of sales through the discounter channel

• Refocus and retrain our current sales teams

• Upgrade our customer and margin management tools

• Ensure that our core brands remain competitively priced without eroding overall margin

• Build on our strong brand equities with innovative marketing materials where permitted, and enhanced packaging where appropriate

• Continue to develop our product portfolio through both our own new product development and adding further distribution partner brands

• Eliminate costs that are not adding value and reallocate resources to ensure optimum returns

• Enlarge and further strengthen our Consumer Insight capability

• Strengthen our commercial finance team to provide greater support to the sales force and commercial teams

The ‘root and branch’ review has been extremely helpful in validating activities and actions we already had in place and in highlighting areas that require change and/or further development.

I expect that a number of the actions being taken will produce tangible results in the first half of this year, whilst others will take longer to bear fruit.

Progress towards strategic goals
As highlighted in the Chairman's report, a strategic review has recently been undertaken of the whole business. The conclusions of this review and a general update on progress towards achieving our strategic goals are contained in the Chairman's statement. I will therefore not repeat all of the points in detail here, but in summary, we believe that our overarching strategy remains robust, but needs refining in certain areas to reflect recent changes in the trading environment in Central and Eastern Europe.

Group financial performance
In view of the very poor trading performance in quarter 1 in Poland, at our half-year results published in August 2015 we issued a full year profit guidance for EBITDA of between €60m and €68m. As highlighted in the half-year results, the business faced the risks of continuing aggressive competitor behaviour and erratic customer ordering patterns. A number of other assumptions underpinned the guidance, including the stabilisation of market conditions in Poland, the performance of new products and stability of raw material pricing. Performance of the Group during quarter 2 and quarter 3 suggested that this range remained achievable, although as time progressed, it seemed more likely that we would finish towards the lower end of the range. Quarter 4 is traditionally a very strong trading period due to the impact of Christmas. This seasonal spike in trading was experienced in all of our markets, with the exception of Poland where a number of wholesale customers did not place orders in line with the internal forecasts for that time of the year. During November, the lack of orders from key customers, coupled with our lack of confidence that the shortfall would be recovered in December, resulted in the Group issuing a trading statement and revising the full year EBITDA forecast range to €50m – €54m.

During December, some of the customers who had not placed orders as expected during November, did in fact place orders, and in January 2016, the Group confirmed its full year profit delivery towards the top of the range of the November guidance, after absorbing an additional currency impact of €0.5m since we published our half-year results.

The full year adjusted EBITDA for the Group for 2015 is €53.7m, a decrease versus last year of €12.6m. Much of the decrease occurred during quarter 1, and as already mentioned, due to poor trading in Poland. Our results were impacted by movements in foreign exchange primarily arising from the translation effect from the Swiss Franc and GB Pound. This had the impact of reducing the full year EBITDA by €1.6m, versus 2014.

In November we concluded a refinancing of the Group. We repaid the previous facility in full, and moved to a revolving credit facility, resulting in a reduction in borrowing costs going forwards, increasing our borrowing flexibility and providing the Group with significant headroom.

We have maintained our strong cash generation. The additional inventory we were carrying at the half-year as a consequence of the new warehouse in Poland, has been depleted and our cash flow in the second half was especially strong. Our adjusted net free cash flow for the full year was €46.9m resulting in net debt reducing from €82.4m at the end of 2014 to €57.2m at the end of December 2015, and reduction in net debt of €34.8m since the end of June 2015.

New product development (NPD)
The Group has established a very strong track record of developing successful new brands and new variants of existing brands. In 2015 we launched 43 new products, and significantly strengthened our portfolio by launching products not only in our core categories, but also into new emerging categories, such as vermouth. We have broken into new styles of products within our established categories with the launch of shot pots for our successful Lubelska brand and the revolutionary Stock Sparkling clear Vodka, to name a few.

Our capability in launching new products has not been restricted to our own brands but also extends to new products from our distribution partners. We have successfully launched Captain Morgan White in the Czech Republic and Jim Beam Apple in Poland.

At the end of 2015 we launched a new premium range of flavoured vodkas in Poland with unique flavours, under the Saska brand. Although we remain the leader of flavoured vodkas in Poland, we see the Saska range as filling an important gap in the category. We continue to view new products as essential to refreshing our portfolio and satisfying the needs of consumers, and see considerable opportunity to launch new products in the future. As a consequence we have a very busy pipeline of activity lined up for 2016 and beyond.

People
I recognise the efforts of all of our employees and thank them for their unstinting commitment, energy and support during another difficult year.

Ian Croxford, our Chief Operating Officer, and other members of the Group team assumed responsibility for the Polish business early in 2015 following the departure of the previous management team. They have put in place a number of key building blocks to help return the Polish business to long term growth. Their tenure is now coming to an end, as we welcomed Bradley Holder as Stock Polska Finance Director in February 2016, and we are making good progress with the appointment of a new Managing Director to lead the business forward.

In the Czech Republic, Jan Havlis joined from Procter & Gamble as the new Managing Director in February 2016, and Petr Kasa joined the business in December 2015 as the new Finance Director.

During 2015, Steve Smith retired from the Group and Michael Kennedy became the Managing Director for International and Italy, joining us from Drambuie, where he had previously been the Group CEO.

We have taken our time to select the right people for these senior roles and I am delighted we will shortly have in place a full and exceptionally talented management team.

Production
Early in 2015 we officially opened our new storage facility at our site in Lublin, Poland. The new facility will provide us with storage capacity of 40,000 pallets and meet the demand arising from an increasing number of new liquids for our new and existing products. Given our very busy agenda for new products both now, and in the future, this provides us with sufficient capacity for a number of years ahead. We moved an underutilised bottling line from the Czech Plzen factory to Poland where it is now in full operation.

Outlook
As difficult as 2015 has been I am encouraged by the performance in a number of our markets, and that the strategy we have followed there continues to deliver the expected results. I am positive that as the market develops the actions we are taking in Poland will over time deliver the desired results.

We move forwards into 2016 acutely aware of the objectives that need to be delivered and I remain focused upon delivering an improvement in the value of the business.

Chief Financial Officer's Review
Lesley Jackson

As has already been commented in earlier sections of this report, the full year results are disappointing given the favourable results in many of our markets, the initiatives which have been undertaken in Poland to address the supply chain disruption which continued into 2015, and the impact of very aggressive competitor activity.

At our half-year results we reported that the Group had experienced a very poor quarter 1, due to trading issues in Poland. We experienced further trading issues in Poland during quarter 4 due to erratic buying patterns of key customers. Volumes were directly affected which, as a consequence, has impacted Net sales revenue and operating profit.

Net sales revenue of €262.6m has reduced from €292.7m in 2014. The Group has continued to premiumise its portfolio during 2015 through the launch of new products, many in higher margin categories, together with improvements to market and product mix, and modest price increases, which has enabled the Group to increase the net sales price per case by 10%.

Overall cost of goods has decreased year on year as a result of lower volumes, from €138.8m in 2014 down to €122.0m in 2015. On a unit cost basis the cost of direct materials and conversion cost has in fact reduced in 2015 versus 2014, with much of the decrease associated with reduced cost of grain and alcohol. The increase in cost per case from €9.64 per case in 2014 to €10.38 per case is driven entirely by product mix.

Selling costs show a decrease versus 2014 due to lower volumes.

Other operating expenses reflect a number of costs that have been incurred to re-stabilise the Polish business. These costs relate to items such as severance costs of the former management team, recruitment costs of the new management team, additional consultancy costs, etc. In addition, advisors fees (e.g. legal) for the cost of refinancing the business, and €1.3m of negative foreign exchange cost are included in other operating expenses. These costs have not been shown as either exceptional or non-recurring, although we expect them to be of a non-recurring nature, and constitute a significant portion of the increase in other operating expenses versus 2014. Whilst the costs of refinancing are borne within other operating expenses the benefit arising from this activity will be shown within finance expenses, and more detail is provided later. Other operating expenses also include €0.7m (2014: €0.03m) of non-cash costs relating to the performance share plan and share-based payments scheme.

Operating profit has decreased to €41.7m from €53.6m in 2014 and reported profit from €35.8m to €19.4m.

Within note 4 of the preliminary announcement the market segmentation includes Corporate costs. This segment includes the costs of the head office in the UK, the service centre in Switzerland (Group procurement and operations), costs of the Group performance share plan, expenses associated with being a listed Company, the costs of the Board and a number of Group wide costs, such as Group insurance, bank refinancing etc. The majority of costs in this segment are borne in either GB Pounds or Swiss Francs. The strengthening of these currencies versus the Euro in 2015 has resulted in a negative translation FX impact of €1.6m. As a consequence, this results in an apparent increase in these costs versus 2014 to the extent of this negative impact. During the year significant initiatives have been undertaken to reduce the level of Corporate costs. The change of auditors following the tender process in 2014 has resulted in a decrease in auditors fees, both at the Group level and in our markets. We have successfully undertaken a tendering process for the provision of the Annual Report & Accounts and corporate website, and moved to a new supplier which has reduced the cost of this service. Our group insurance costs have been reduced following a review of our insurance arrangements and the level of investment that has been made in fire prevention systems and health and safety operations at our production locations, the benefit will be realised in 2016.

For internal purposes the Group uses EBITDA to measure the performance of the business. The adjusted EBITDA for the Group for the full year 2015 is €53.7m (2014: €66.4m) which includes the impact of €1.6m of negative foreign exchange impact versus 2014. Details of the adjustments are contained within note 5 of the preliminary announcement.

Non-recurring and exceptional costs

In 2015 there have been no exceptional costs, and non-recurring costs of €1.0m are associated with the disposal and impairment of fixed assets. In the prior year the costs relating to exceptional items, of €1.1m, were principally associated with amendments to the bank facilities and further costs incurred on the corporate restructuring following the IPO. Non-recurring expenses in 2014 were also incurred on the disposal of fixed assets and asset impairment, resulting from the closure of the Imperator production facilities in Slovakia.

The reported EBITDA has been adjusted to remove the impact of these costs and a reconciliation is shown in note 5 of the preliminary announcement.

Finance income & expense and taxation

Finance income of €2.4m (2014: €7.7m) shows a decrease from last year due to a lower gain on foreign exchange of €2.0m (2014:€6.5m) which has arisen on intercompany loans and the impact from the devaluation of the currencies these loans are denominated in.

Finance costs of €12.6m include not only the cost of third-party debt but also the accelerated amortisation of bank charges. In November 2015 we refinanced the Group (details included under Net debt and financing section) and as a consequence the remaining unamortised bank charges relating to the prior facility (2011 ING facility) have been fully written off. This accounted for €4.3m of the current year finance expense. By virtue of its nature this cost will not recur in 2016.

In 2014 we completed a number of amendments to the ING debt facility which had resulted in a reduction to the margins we paid on our third-party debt. The impact of the reduced margins are reflected in the 2015 expense and as a consequence reflect a reduction of €2.3m, from €7.9m in 2014 to €5.6m in 2015.

Our tax charge reflects a number of factors; the current year tax expense, provisions for prior year tax expense and the amortisation of a deferred tax asset (created following corporate restructuring at the time of the IPO in 2013).

The current year tax expense of €5.9m, shows a considerable reduction from 2014 (€10.6m) primarily due to lower taxable profits.

In 2015 we have again increased the level of provisions, by €2.7m, in respect to outstanding and potential tax risks arising from open tax audits and investigations. The most significant relates to tax risks in respect of our Italian business, where our tax affairs have not been closed since 2005. The process is proving to be both lengthy and costly, and we expect will take further time to complete.

Cash flow

As commented in last year's report, the 2014 cash flow was affected by the increase in working capital at the year-end arising from sales occurring during the month of December. This resulted in a delay in the cash being generated during 2014 and resulted in a higher cash flow in early 2015. At the end of June 2015 we opened a new warehouse in Poland, and for a period of time during the transition of operations, the Group carried higher levels of inventory. The additional inventory absorbed the increased cash flow generated earlier in the year. The former warehouse has now ceased operation and inventory has returned to more normal levels. As a consequence, we enjoyed especially strong cash flow in the second half of the year. Adjusted net free cash flow was €46.9m (2014:€29.3m) and a free cash flow conversion of 87.2% (2014: 44.2%).

The Group paid out dividends during the year of 2p (2.50 cents) per share as a final dividend in respect of financial year 2014, and an interim dividend of 1p (1.25 cents) per share in respect of the financial year 2015.

It is worth noting that the Board has identified a technical issue with the payment of the interim dividend, which is being addressed.

Net debt and financing

In November 2015 the Group concluded the arrangement of a new bank facility comprising of a multi-currency, unsecured, €200m revolving credit facility. The former facility was repaid in full. The new facility provides the Group with increased flexibility allowing us to amend our levels of debt according to the seasonality of cash flow. The RCF carries significantly lower margins which will benefit 2016 and future years. If the net debt were to remain unchanged from the year-end throughout 2016 the interest charge would be €3.5m, reflecting an expected further reduction in finance costs of €2.1m. The Group has retained the factoring facility, for which the threshold has been increased to €50m from the prior €40m facility. The factoring facility has not been utilised at the year-end.

The strong cash flow during the year resulted in net debt at the end of December 2015 reducing to €57.2m from €82.4m in 2014, and a reduction in leverage to 1.07 from 1.24 in 2014.

There remains sufficient headroom within the current bank facilities to support our strategy going forwards, as we retain headroom within the new RCF and in addition have available the factoring facility of €50m.

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

Debt maturity profile

For the majority of 2015 the Group's bank facilities consisted of long-term loans and a revolving credit facility (RCF). As previously mentioned, these facilities have now been fully repaid and replaced with a new RCF. This is not subject to any amortisation profile and has a term of 5 years from November 2015.

€5.6m of the RCF is utilised to back excise duty guarantees in a number of our markets. This utilisation reduces the available balance of the RCF but does not constitute drawings against the facility, and as such this utilisation is not disclosed as a liability in the balance sheet.

Foreign exchange

The Group remains exposed to the impact of foreign currency exchange with the major trading 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.

Other currencies that the Group is exposed to from non-trading activity are GB Pound and Swiss Franc. Exposures in these currencies are as a result of operations and bank balances arising in our UK based head office and service centre based in Switzerland. We are limited on the natural hedging that is available to manage these exposures, given the non-trading activity of these operations.

The majority of exposure during 2015 reported within operating profit has arisen in the non-trading operations of the Group, where the devaluation of GB Pound and Swiss Franc have resulted in increasing the costs of these non-trading operations and translation impacts upon working capital reported in these entities.

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

In late 2015 the Polish Złoty has devalued and this has continued into 2016. The level of devaluation, if it continues, represents a significant risk to the results of the group in 2016. If the 2015 financial results for the Polish segment were restated at the February 2016 closing rate for the Polish Złoty of 4.35, the results would have been reduced by approximately €1.4m. The Czech National Bank have stated that the stability mechanism that has been in place for a period of time will remain during 2016, and at this point in time we do not see an significant foreign exchange risk arising from the Czech Koruna.

	Dec 2015 closing rate	Average rate
Polish Złoty	4.26	4.19
Czech Koruna	27.03	27.24
GB Pound	0.74	0.73
Swiss Franc	1.08	1.07

Equity structure
There has been no change to the equity structure of the business in 2015 and it remains 200 million issued shares with a nominal value of £0.10 each. In line with the authority granted at the annual general meeting in 2015, the Company purchased 272,631 of its own shares at market value during 2015 and placed them in the Employee Benefit Trust for satisfying LTIP options, which became exercisable in October 2014.

Earnings per share
On a fully diluted basis the earnings per share at the end of December 2015 was €0.09 per share versus €0.18 per share in 2014.

EPS has been impacted by material non-cash items in both 2014 and 2015. In 2014 €6.5m of foreign exchange gains in finance revenue, and in 2015 €2.0m of foreign exchange gains in finance revenue and the accelerated amortisation of bank fees reported in finance expenses of €4.3m. If these items were excluded the adjusted diluted earnings per share in 2015 would be €0.11 per share and €0.14 per share in 2014.

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

David Maloney	Chairman
Chris Heath	Chief Executive Officer
Lesley Jackson	Chief Financial Officer
Andrew Cripps	Senior Independent Non-Executive Director
John Nicolson	Independent Non-Executive Director
Mirek Stachowicz	Independent Non-Executive Director

10 March 2016

Consolidated income statement

for the year ended 31 December 2015

	Notes	2015 €000	2014 €000
Revenue	3	262,649	292,680
Cost of goods sold		(122,003)	(138,752)
Gross profit		140,646	153,928
Selling expenses		(63,026)	(65,393)
Other operating expenses		(35,916)	(33,776)
Operating profit before exceptional items		41,704	54,759
Exceptional items	6	-	(1,111)
Operating profit		41,704	53,648
Finance income	7	2,387	7,714
Finance costs	7	(12,638)	(12,324)
Profit before tax		31,453	49,038
Income tax expense	8	(12,033)	(13,201)
Profit for the year		19,420	35,837
Attributable to:			
Equity holders of the Parent		19,420	35,837
Earnings per share, (Euros), attributable to equity holders of the Parent	9		
Basic		0.10	0.18
Diluted		0.09	0.18

Consolidated statement of financial position

as at 31 December 2015

	Notes	31 December 2015 €000	31 December 2014 €000
Non-current assets			
Intangible assets - goodwill		60,366	60,366
Intangible assets - other		298,896	288,214
Property, plant and equipment		59,603	62,152
Deferred tax assets	8	17,770	21,543
Other assets		4,511	4,404
		441,146	436,679
Current assets			
Inventories		27,716	27,400
Trade and other receivables		131,181	176,298
Other assets		141	-
Current tax assets	8	3,569	5,461
Assets classified as held for sale		-	120
Cash and cash equivalents	11	75,806	82,914
		238,413	292,193
Total assets		679,559	728,872
Non-current liabilities			
Financial liabilities		132,281	152,579
Other financial liabilities		285	357
Deferred tax liabilities	8	45,775	44,136
Provisions		1,092	1,167
Trade and other payables		669	201
		180,102	198,440
Current liabilities			
Trade and other payables		49,612	53,727
Financial liabilities		-	7,027
Other financial liabilities		212	227
Income tax payable	8	12,277	12,247
Indirect tax payable		71,460	111,936
Provisions		1,034	1,764
		134,595	186,928
Total liabilities		314,697	385,368
Net assets		364,862	343,504

Consolidated statement of financial position

as at 31 December 2015

	31 December 2015 €000	*31 December 2014 €000*
Capital and reserves		
Issued capital	23,625	23,625
Share premium	183,541	183,541
Merger reserve	99,033	99,033
Consolidation reserve	5,130	5,130
Own share reserve	(635)	-
Other reserve	9,254	8,160
Foreign currency translation reserve	15,284	6,413
Retained earnings	29,630	17,602
Total equity	364,862	343,504
Total equity and liabilities	679,559	728,872

Consolidated statement of cash flows

for the year ended 31 December 2015

	Notes	2015 €000	2014 €000
Operating activities			
Profit for the year		19,420	35,837
Adjustments to reconcile profit for the year to net cash flows:			
Income tax expense recognised in income statement	8	12,033	13,201
Interest expense and bank commissions		12,638	12,324
Loss on assets classified as held for sale		-	547
Loss on disposal of tangible assets		1,016	393
Other financial income		(380)	(1,181)
Depreciation and impairment of property, plant and equipment		9,423	9,055
Amortisation of intangible assets		1,581	1,931
Net foreign exchange gain		(2,007)	(6,533)
Share-based compensation		1,094	653
Movement in provisions		(626)	(1,732)
		54,192	64,495
Working capital adjustments			
Decrease/(increase) in trade receivables and other assets		44,869	(9,458)
(Increase) in inventories		(316)	(456)
(Decrease) in trade payables and other liabilities		(44,123)	(58,063)
		430	(67,977)
Cash generated by operations		54,622	(3,482)
Income tax paid	8	(6,123)	(13,405)
Net cash flows from operating activities		48,499	(16,887)
Investing activities			
Interest received		380	685
Payments to acquire intangible assets		(1,393)	(1,146)
Purchase of property, plant and equipment		(7,246)	(7,140)
Proceeds from sale of property, plant and equipment		363	-
Proceeds from asset previously classified as held for sale		120	-
Net cash flow from investing activities		(7,776)	(7,601)
Financing activities			
Repayment of borrowings		(166,590)	(7,240)
Repayment of PECs and CECs		-	(215)
New borrowings raised		132,310	-
Interest paid		(7,137)	(11,145)
Other financial costs		(300)	-
Purchase of own shares		(713)	-
Dividends paid to equity holders of the parent		(7,513)	(2,512)
Net cash flow from financing activities		(49,943)	(21,112)
Net decrease in cash and cash equivalents		(9,220)	(45,600)
Cash and cash equivalents at the start of the year		82,914	129,610
Effect of exchange rates on cash and cash equivalents		2,112	(1,096)
Cash and cash equivalents at the end of the year	11	75,806	82,914

Exceptional costs included in cash flow above

		2015 €000	2014 €000
Exceptional costs relating to the IPO included in cash flow from operating activities		-	142
Exceptional costs relating to the IPO included in financing activities		-	-
Other exceptional costs		-	969
Total exceptional costs		**-**	**1,111**

Notes to the Preliminary Announcement

at 31 December 2015

1. Corporate information

The preliminary statement of results was approved and authorised for issue by the Board of Directors of Stock Spirits Group PLC (the Company) on 10 March 2016. The financial information for the year ended 31 December 2015 contained in this statement does not constitute the Group's statutory financial statements for the year ended 31 December 2015 or 2014 but is derived from the Group's 2015 financial statements. The audit report was unqualified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

Stock Spirits Group PLC is domiciled in England. The Company's registered office is at Solar House, Mercury Park, Wooburn Green, Buckinghamshire, HP10 0HH, United Kingdom.

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 2015.

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 for a period of at least 12 months from the date of approval of the financial statements.

3. Revenue

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

	2015	*2014*
	€000	*€000*
Revenue from the sale of spirits	721,688	869,222
Other sales	4,049	4,777
Excise taxes	(463,088)	(581,319)
Net sales revenue	262,649	292,680

4. 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 Republic, 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 requires 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.

4. Segmental analysis (continued)

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

	2015	2014
	€000	€000
Profit before tax	31,453	49,038
Net finance charges	10,251	4,610
Operating profit	41,704	53,648
Depreciation and amortisation	11,004	10,986
Exceptional items (note 6)	-	1,111
EBITDA before exceptionals	52,708	65,745
Non-recurring expenses (note 5)	1,016	613
Adjusted EBITDA	53,724	66,358

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.

	Poland	*Czech Republic*	*Italy*	*Other Operational*	*Corporate*	*Total*
2015	*€000*	*€000*	*€000*	*€000*	*€000*	*€000*
External revenue	137,193	63,163	31,985	30,308	-	262,649
EBITDA before exceptionals	37,699	18,531	8,079	5,128	(16,729)	52,708
Non-recurring expenses/(income)	1,019	(2)	10	(11)	-	1,016
Adjusted EBITDA	38,718	18,529	8,089	5,117	(16,729)	53,724
Memo note:						
Group wide costs included within Corporate costs are:						
Group insurance costs					(1,093)	
Group audit fee					(323)	
Bank refinancing costs					(175)	
FX impact within Corporate costs					(1,086)	
Included within the regional and Corporate segments are:						
Performance share plan costs/share-based compensation	(82)	(30)	(53)	(111)	(439)	

4. Segmental analysis (continued)

2014	*Poland* €000	*Czech Republic* €000	*Italy* €000	*Other Operational* €000	*Corporate* €000	*Total* €000
External revenue	168,000	59,470	35,252	29,958	-	292,680
EBITDA before exceptionals	53,069	16,270	8,916	2,872	(15,382)	65,745
Non-recurring expenses/(income)	55	-	(630)	1,188	-	613
Adjusted EBITDA	53,124	16,270	8,286	4,060	(15,382)	66,358
Memo note:						
Group wide costs included within Corporate costs are:						
Group insurance costs					(1,016)	
Group audit fee					(464)	
Bank refinancing costs					-	
FX impact within Corporate costs					(256)	
Included within the regional and Corporate segments are:						
Performance share plan costs/share-based compensation	(69)	(12)	(9)	(31)	149	

5. 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.

	2015 €000	2014 €000
Operating profit	41,704	53,648
Exceptional items (note 6)	-	1,111
Non-recurring expenses*	1,016	613
Adjusted EBIT	42,720	55,372
Depreciation and amortisation	11,004	10,986
Adjusted EBITDA	53,724	66,358
Adjusted EBITDA margin	20.5%	22.7%

*Non-recurring expenses relate to profits or losses on disposal and impairment of fixed assets, not meeting the criteria for categorisation as exceptional items.

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).

Notes to the Preliminary Announcement

at 31 December 2015

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

	2015	2014
	€000	€000
Net cash flows from operating activities	48,499	(16,887)
Income tax paid	6,123	13,405
IPO costs included within cash flow from operating activities	-	142
Net cash pre investing and financing activities	54,622	(3,340)
Net cash generated from investing activities	(7,776)	(7,601)
Interest received	(380)	(685)
Cash flow pre financing activities	46,466	(11,626)
Proceeds from asset previously classified as held for sale	120	-
Cash impact of non-IPO exceptional items	276	658
Free cash flow	46,862	(10,968)
Free cash flow as a percentage of adjusted EBITDA	87.2%	(16.5)%
Polish VAT (due to timing of payment)	-	40,306
Adjusted free cash flow	46,862	29,338
Adjusted free cash flow as a percentage of adjusted EBITDA	87.2%	44.2%

6. Exceptional items

	2015	*2014*
	€000	*€000*
Costs associated with the IPO(1)	-	142
Refinancing costs(2)	-	529
Restructuring and merger of Slovakian businesses(3)	-	59
Corporate restructuring(4)	-	381
Total exceptional items	-	1,111

(1) Advisory and legal costs including unrecoverable VAT in connection with the IPO, which were not capitalised.

(2) Legal and advisory costs including unrecoverable VAT in connection with the revision to the facility agreement in 2014 which did not meet the criteria for capitalisation.

(3) 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.

(4) Restructuring costs in connection with the IPO. This included 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.

Note: (1), (3) and (4) related to exceptional costs that were continuations of projects started in 2013, and as such the majority of costs were incurred prior to 2014.

Notes to the Preliminary Announcement

at 31 December 2015

7. Finance income and costs

	2015	2014
	€000	€000
Finance income:		
Foreign currency exchange gain	2,007	6,533
Interest rate swap instruments	-	496
Interest income	380	685
Total finance income	2,387	7,714
Finance costs:		
Interest payable on bank overdrafts and loans	5,588	7,917
Bank commissions, guarantees and other payables	1,798	2,571
Cost of arranging ING financing facility written off	4,328	-
Other interest expense	924	1,836
Total finance costs	12,638	12,324
Net finance costs	10,251	4,610

On 18 November 2015 the Group signed a new facilities agreement for a €200,000,000 revolving credit facility (RCF). The first drawings under the new facility were made on 24 November 2015, following the full repayment of existing ING term loans. On the repayment of the previous banking facility all unamortised costs associated with arranging the ING financing facility were written off to the income statement, totalling €4,328,000.

8. Income taxes

(i) Income tax recognised in profit or loss:

	2015	2014
	€000	€000
Tax expense comprises:		
Current tax expense	5,933	10,554
Tax expense relating to prior year	2,023	2,872
Deferred tax charge/(credit)	4,075	(241)
Other taxes	2	16
Total tax expense	12,033	13,201
Consolidated statement of OCI		
Net gain/(loss) on actuarial gains and losses	-	-
Income tax charged to OCI	12,033	13,201

Notes to the Preliminary Announcement

at 31 December 2015

8. Income taxes (continued)

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

Reconciliation of total tax expense

	2015	*2014*
	€000	*€000*
Profit before tax	31,453	49,038
Accounting profit multiplied by United Kingdom combined rate of corporation tax of 20.25% (2014: 21.5%)	6,369	10,543
Expenses not deductible for tax purposes	2,708	2,213
Tax losses for which no deferred tax is recognised	730	581
Effect of difference in tax rates	116	(1,287)
Impact of post-IPO corporate restructuring	85	(1,737)
Tax charge relating to prior year	2,023	2,872
Other taxes	2	16
Total tax expense reported in the income statement	12,033	13,201
Effective tax rate	38.3%	26.9%

Current tax liability:

	2015	*2014*
	€000	*€000*
Tax prepayments as of 1 January	5,461	1,795
Tax liability as of 1 January	(12,247)	(8,513)
Tax charge relating to prior year	(2,023)	(2,872)
Payments in year	6,123	13,405
Current tax expense	(5,933)	(10,554)
Other taxes	(2)	(16)
Foreign exchange adjustment	(87)	(31)
Net current tax liability	(8,708)	(6,786)
Analysed as:		
Tax prepayment	3,569	5,461
Current tax liability	(12,277)	(12,247)
	(8,708)	(6,786)

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 Group has undertaken a review of potential tax risks and current tax assessments, and whilst it is not possible to predict the outcome of any pending enquiries, adequate provisions are considered to have been included in the Group accounts to cover any expected estimated future settlements.

8. Income taxes (continued)

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

In 2015 the level of provisions have been increased by €2.7m, in respect to open tax audits and investigations. The most significant relates to tax risks in respect of our Italian business, Stock S.r.l. The Italian tax authorities have an open enquiry covering the years 2006 - 2010. The process is expected to take further time to complete.

The Group's Czech subsidiary, Stock Plzen Bozkov s.r.o. received a tax assessment relating to 2011 from the Czech tax authorities in February 2016. Management will be vigorously defending the Company's position, and have therefore not made a provision against the assessment, which totals €1,050,000.

(ii) Unrecognised tax losses

The Group has tax losses which arose in the UK of €23,830,000 as at 31 December 2015 (2014: €21,444,000) 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.

(iii) Deferred tax balances

Deferred tax assets and liabilities arise from the following:

2015	*1 January 2015* *€000*	*(Charged)/ Credited to income* *€000*	*Translation difference* *€000*	*31 December 2015* *€000*
Temporary differences:				
Brands	(29,363)	(5,758)	(1,645)	(36,766)
Other assets and liabilities	6,770	1,683	308	8,761
	(22,593)	(4,075)	(1,337)	(28,005)
Deferred tax asset	21,543	(4,203)	430	17,770
Deferred tax liability	(44,136)	128	(1,767)	(45,775)
	(22,593)	(4,075)	(1,337)	(28,005)

2014	*1 January 2014* *€000*	*(Charged)/ Credited to income* *€000*	*Translation difference* *€000*	*31 December 2014* *€000*
Temporary differences:				
Brands	(25,414)	(3,635)	(314)	(29,363)
Other assets and liabilities	3,011	3,876	(117)	6,770
	(22,403)	241	(431)	(22,593)
Deferred tax asset	21,974	274	(705)	21,543
Deferred tax liability	(44,377)	(33)	274	(44,136)
	(22,403)	241	(431)	(22,593)

Brands

Deferred tax liability arising on the difference between the accounting and tax book values of brands.

8. Income taxes (continued)

(iii) Deferred tax balances (continued)

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.

(iv) Change in tax rates

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset/liability at 31 December 2015 has been calculated based on rates current at that date.

9. 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 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.

Details of the earnings per share are set out below:

	2015	*2014*
Basic earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	19,420	35,837
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	199,957	200,000
Basic earnings per share (€)	0.10	0.18
Diluted earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	18,907	35,448
Weighted average number of diluted ordinary shares adjusted for the effect of dilution	201,995	200,903
Diluted earnings per share (€)	0.09	0.18

Reconciliation of basic to diluted ordinary shares		
Weighted average number of Ordinary shares	200,000	200,000
Effect of purchase of own shares	(43)	-
Basic weighted average number of Ordinary shares	199,957	200,000
Effect of PSP options	1,814	638
Effect of substitute options	224	265
Diluted weighted average number of Ordinary shares	201,995	200,903

Excluding foreign exchange gains in finance income of €2,007,000 and the one-off write off of ING bank fees of €4,328,000 in finance costs in 2015 (2014: foreign exchange gain in finance income of €6,533,000), adjusted basic earnings per share would have been €0.11 per share in 2015 (2014: €0.15 per share), and adjusted diluted earnings per share would have been €0.11 per share in 2015 (2014: €0.14 per share).

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

10. 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.

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.

The Group regards its total capital as follows:

	2015	*2014*
	€000	*€000*
Net debt	57,187	82,430
Equity attributable to the owners of the Group	364,862	343,504
	422,049	425,934

Net debt is calculated as follows.

	2015	*2014*
	€000	*€000*
Cash and cash equivalents (note 11)	75,806	82,914
Floating rate loans and borrowings	(132,496)	(164,760)
Finance leases	(497)	(584)
Total net debt	(57,187)	(82,430)

11. 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:

	2015	*2014*
	€000	*€000*
Cash and bank balances	75,806	82,914

11. Cash and cash equivalents (continued)

Cash and cash equivalents are denominated in the following currencies:

	2015	*2014*
	€000	*€000*
Sterling	17,869	23,303
Euro	15,139	20,859
US dollar	90	356
Czech Koruna	23,539	20,458
Polish Zloty	16,255	14,944
Other currencies	2,914	2,994
Total	75,806	82,914

12. Principal risks

Stock Spirits Group believes the following to be the principal risks facing its business and the steps we take to manage and mitigate these risks. 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. Not all of these risks are within our control and this list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing business environment.

Economic and political change

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 Group's operations are primarily in Central and Eastern European markets where there is a risk of economic and regulatory uncertainty. Recent proposals by the new government in Poland to impose additional taxes on foreign owned financial institutions and retail chains illustrate this risk. 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.

How we manage and mitigate

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

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.

Taxes

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

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 Group may be exposed to tax liabilities resulting from tax audits: the Group has in the past faced, currently faces and may in the future face, audits and other challenges brought by tax authorities. 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.

12. Principal risks (continued)

How we manage and mitigate

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 e.g. growth of illicit alcohol and potential harm to consumers.

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.

Strategic transactions

Key objectives of the Group are: (i) the development of new products and variants; and (ii) expansion, in the Central and Eastern European region, through the acquisition of additional businesses. Unsuccessful launches or 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.

How we manage and mitigate

We have a robust new product development process which has delivered highly successful innovations and which we continuously seek to improve. We seek to maintain a pipeline of potential acquisition targets and have an experienced management team capable of exploring, pursuing and executing transaction opportunities swiftly and diligently, however the owners of target businesses may have price expectations that are beyond the valuation that we can place on their business. As referred to in the Chairman's statement, two of the principal countries where material acquisitions were planned to be made - Ukraine and Belarus - have been extended to longer term target territories.

Consumer preferences

Shifts in consumer preferences may adversely affect the demand for the Group's products and weaken the Group's competitive position. 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.

How we manage and mitigate

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.

Talent

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 and mitigate

The Group operates a competitive remuneration policy that aims to retain, motivate and, where necessary, attract key individuals. Our recruitment of several high calibre managers during 2015, as referred to in the CEO's statement, is evidence of our ability to attract talented individuals. We have developed a formal succession planning process to mitigate the risk of losing key personnel.

Notes to the Preliminary Announcement

at 31 December 2015

12. Principal risks (continued)

Marketplace and competition

Stock Spirits Group operates in a highly competitive environment and faces competitive pressures from both local and international spirits producers, which may result in pressure on prices and loss of market share.

Changes in the Group's distribution channels may also have an adverse effect on the Group's profitability and business.

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, or may be unable to collect payments from some customers, which will lead to an impact in its financial condition.

The Group is also dependent on a few key products in a limited number of markets which contribute a significant portion of its revenue.

How we manage and mitigate

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.

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 by both channel and customer.

Exchange rates

The Group's business operations and results reported in Euros 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.

The Group's non-trading activities are conducted through its head office in the UK and service centre based in Switzerland, and are mainly transacted in GB Pound and Swiss Francs.

Additionally, the Group's financial covenants are tested in Euros. 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.

How we manage and mitigate

The Group aims to hedge transaction risk by matching cash flows, assets and liabilities through normal commercial activities where possible. For example all debt is currently drawn in local currency by market.

For locations where we have non-trading activities, there is a limitation on the natural hedging that is available to cover currency exchange risk.

We monitor currency exposure as an integral part of our monthly review process and, where appropriate, will implement hedging instruments.

Notes to the Preliminary Announcement

at 31 December 2015

12. Principal risks (continued)

Disruption to operations or systems

The Group's operating results may be adversely affected by disruption to its production and storage facilities, in particular its main production facilities in Poland and the Czech Republic, or by a breakdown of its information or management control systems.

How we manage and mitigate

In addition to holding appropriate insurance cover to protect the business in the event of a production disruption or other business interruption, our two primary bottling sites offer sufficient flexibility that each site is capable of bottling all of our core SKUs. We also have well-established and tested Business Continuity and Disaster Recovery policies. Our information and management control systems are subject to internal audit following a risk-based methodology. We also periodically engage independent specialists to assess and test the security and resilience of our network against hacking and other cyber threats, which include penetration testing.

Laws and regulations

The Group is subject to extensive laws and regulations limiting advertising, promotions and access to its products, as well as laws and regulations relating to its operations, such as health, safety and environmental laws. These regulations and any changes to these regulations could limit its business activities or increase costs. In some cases, such as the proposed introduction in the Czech Republic of a ban on smoking indoors and mandatory cash registers for hotels, restaurants and bars (HORECA), the changes in law impact the Group indirectly.

The Group may be affected by litigation directed at the alcoholic beverages industry and other litigation such as intellectual property disputes, product liability claims, product labelling disputes and administrative claims. The Group may be exposed to civil or criminal liabilities under anti-bribery laws and any violation of such laws could have a material adverse effect on its reputation and business.

How we manage and mitigate

The Group has established clear processes and controls to monitor compliance with laws and regulations, and changes to them, and also any litigation action. The Audit Committee report explains the major ongoing project that was started in 2015, designed to embed comprehensive controls within the key business processes across all our businesses. We operate a detailed anti-bribery and anti-corruption policy and process. Regular update training is conducted across the business and we undertake regular reviews to assess the adequacy and effectiveness of our policy and processes.

Supply of raw materials

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. 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.

How we manage and mitigate

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

Funding and liquidity

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, including adverse capital and credit market conditions.

Notes to the Preliminary Announcement

at 31 December 2015

12. Principal risks (continued)

Higher interest rates and more stringent borrowing requirements could increase the Group's financing charges and reduce profitability.

How we manage and mitigate

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, including our growth ambitions. We are confident that we have the appropriate processes and relationships in place to respond to any unexpected liquidity needs and have not only secured lower cost and more flexible refinancing during 2015, as described in the Financial Review, but have also placed ourselves in the best position to access funding in the longer term.