Chief Executive Officer's statement

> "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"

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 Božkov 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.

"We have created many wonderful new products at Stock over the last eight years, but my favourite Stock brand is Żołądkowa Gorzka which dates back to the 1950s. The flavour and texture of the liquid is wonderful and we still use the same authentic recipe today.'

Chief Executive Officer's statement continued

Our first full strength sparkling clear vodka, Stock Sparkling

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-vodkas 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.

Chief Executive Officer's statement continued

Progress towards strategic goals

As highlighted in the Chairman's report on page 5, 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 and in other areas of the Strategic Report. 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.

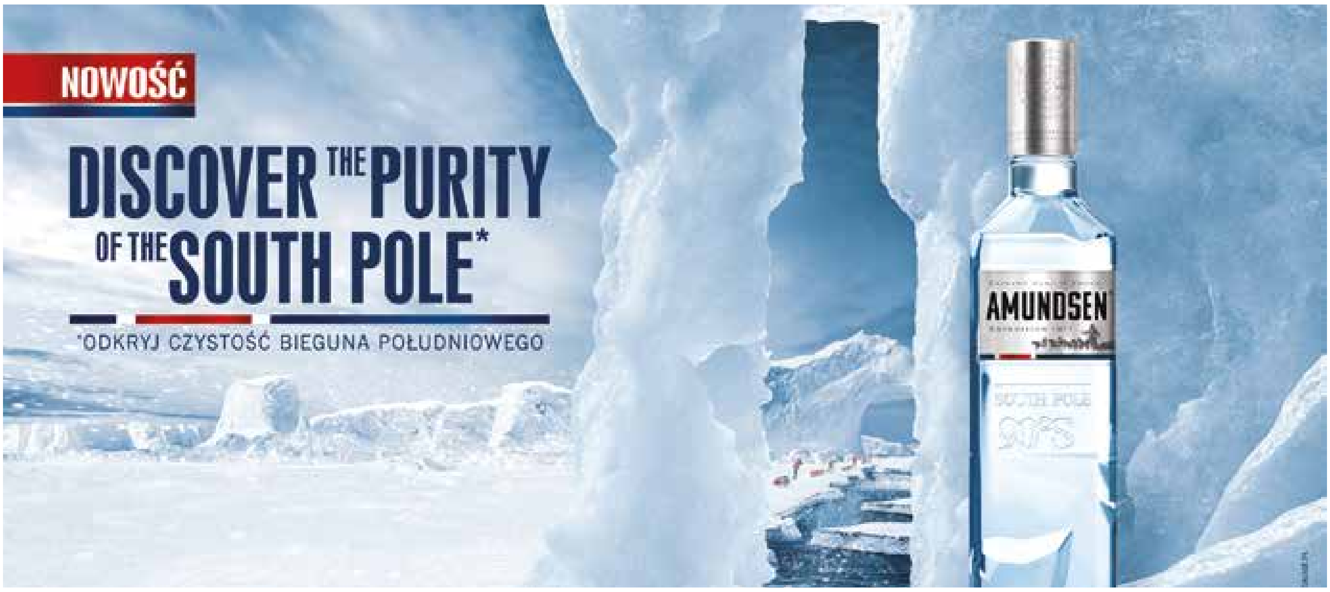
The full year adjusted EBITDA for the Group for 2015 is €53.7m, a decrease versus last year of €12.6m. Much of the decrease occurred during quarter 1, and as already mentioned, due to poor trading in Poland. Our results were impacted by movements in foreign exchange primarily arising from the translation 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 under-utilised 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.

Chris Heath
Chief Executive Officer
10 March 2016