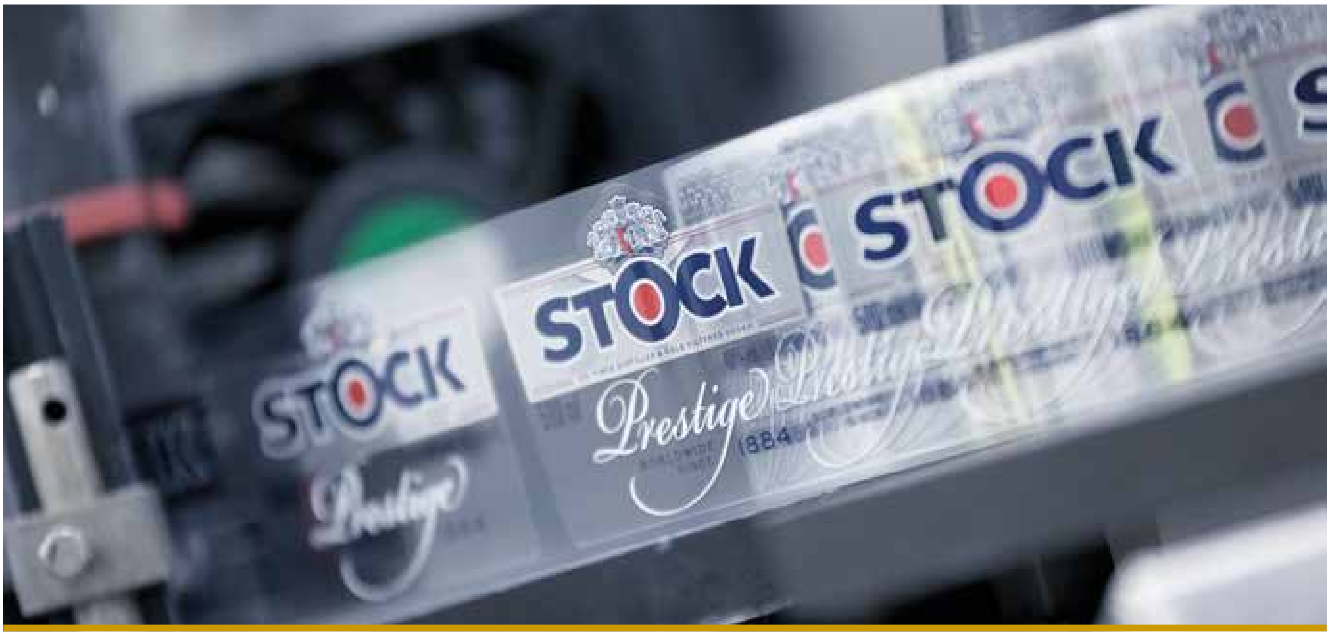
Chairman's statement

> "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"



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.

“Stock Prestige combines ou
heritage with our modern approac
to great effect, creating a top-qualit
spirit to be enjoyed by all

Chairman’s statement continued

- 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, details of which are contained within the corporate governance section of this report. 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, see page 62 of this report for further details.

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.

More details on our corporate governance are provided later in the report, as well as the reports from the committee chairmen of our Remuneration, Audit and Nominations committees. 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.

David Maloney
Chairman
10 March 2016