

Chairman's statement

Looking to the future with a stronger base

As Chairman of Stock Spirits Group PLC, I am pleased to present our Annual Report and Accounts for the year ended 31 December 2017.

After a year of great change in 2016, the Group entered 2017 with a significantly strengthened and experienced Board and Executive team who have a strong commitment to turning round the fortunes of the business. 2017 was a year of stabilisation for Stock Spirits, embedding the significant changes accomplished in 2016 whilst continuing to address the competitive challenges that remain in our markets, particularly that of our largest market, Poland. We believe we have stabilised in this market and the local management team continues to drive through change and improvements.

While the Board's major focus remained on returning our Polish business to growth, we also considered the Group's future wider priorities. A comprehensive review of the Group's strategy was carried out in the latter half of the year. The chief conclusion from this process was that our strategy as outlined at the time of the IPO remains as relevant as ever. However, to achieve our goals we need to respond better to developments and changes in our key markets; to execute those plans more effectively and to focus more on the ultimate consumers of our products, rather than just on internal KPIs. The major focus of our updated strategy, therefore, is to concentrate on our largest value drivers, our brands. Mirek will cover the detail of our conclusions and plans more thoroughly in his Chief Executive's Report.

Given our operational progress we are better able to return to the other key element of our IPO strategy which is growth through mergers and acquisitions (M&A).

During 2017, we continued to review 'bolt-on' opportunities and we were pleased to announce our 25% investment in premium Irish whiskey brands, The Dubliner and The Dublin Liberties in July this year. Now that Poland has been stabilised, we return to looking at larger, more strategic opportunities to deliver enhanced growth and shareholder value for the future. More detail about the updated strategy is set out on pages 16 and 17.

Dividend

I am also pleased to announce our proposed final dividend for the year of 5.72 €cents per share (2016: 5.45 €cents per share). This takes the total dividends paid for the year to 8.10 €cents per



David Maloney
Chairman

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share (2016: 19.62 €cents per share, which also included a special dividend of 11.90 €cents per share). The adjusted free cashflow conversion of the Company continues to be a strength and at 86.3% (2016: 94.1%) remains robust. The dividend policy has been revisited and the Board is moving from the 35% of net free cashflow (free cashflow after investments) approach outlined at IPO, in favour of progressive dividends where cashflow permits. We also reiterate our commitment to return surplus cash to shareholders should no meaningful capital investment or M&A opportunities arise.

People

At the time of our interim results, we announced that Lesley Jackson, our Chief Financial Officer (CFO), would be retiring and would be replaced by Paul Bal. I would like to personally thank Lesley for her hard work and dedication to Stock Spirits; she took the Company through the IPO and has worked tirelessly over the years. Paul took office in November 2017 and has made a great start in the Company and I look forward to working with him more in the future.

Randy Pankevicz, Non-Executive Director, notified the Board of his resignation as a Director of the Company to enable him to focus on his personal investments. He does not intend to seek re-election at the forthcoming AGM.

The Board would like to thank Mr Pankevicz for his contribution to the Company over the last two years and wish him well for the future.

Governance

The retirement of Lesley and the appointment of Paul as CFO was the only Board change in the year.

Following the more extensive changes to the Board in 2016, the new members have been fully engaged not only in the strategic review process but have also made significant and valuable contributions in all Board matters. I am pleased with the results.

All Board Committee compositions are fully compliant with the Corporate Governance Code. See page 55 of this report for further details.

The Board and its various Committees have met regularly throughout the year and an internal Board evaluation exercise was undertaken during the year (see page 58).

Looking ahead

As I have mentioned previously, the implications of Brexit on the Group are not considered material at this stage, but we will continue to monitor progress on the negotiations currently taking place.

With a stable Board, senior management team and award-winning brands, I am looking forward to delivering on our refreshed strategy to ensure growth and increased shareholder returns.



David Maloney
Chairman

7 March 2018

