Chief Executive's Statement

Stock Spirits has delivered another year of growth in volumes, revenues and profitability.

"We continue to assess a range of acquisition opportunities, following our two successful acquisitions this year, and are committed to pursuing a strategy of both organic and inorganic growth."

With a strong balance sheet, the Group is ready for continued growth - both organic and inorganic.

Group financial performance

Following last year's adoption of a 30 September year-end, we present summarised results for the 12 months to 30 September 2019 along with proforma 12 month comparatives. On this basis, we delivered another year of growth in volumes, revenues and profits. We have developed a more premium portfolio and have exceeded our strategic premiumisation target (i.e. 30% of Group revenue coming from premium products) a year earlier than originally planned. Furthermore, we completed two strategic acquisitions, whilst also retaining a strong balance sheet to position the Group well for continued future growth – both organic and inorganic.

Our markets in overview

Total spirits volume in the Group's six direct-presence markets is c.552 million litres, a +1.7% increase on the prior year. Volume grew in each of the last three years and is now at a five year high[1]. The strength and breadth of our portfolios combined with our market capabilities makes the Group the number one spirits company in the region represented by these six markets, and number three in Europe.

Vodka remains by far the largest category across our markets and accounts for almost half of total volume. This makes it almost four times bigger than the second category (herbal bitters and spirit aperitifs), and over five times bigger than the third category (whisky). Total vodka volumes have grown over the last two years, and the double-digit annual growth rates of premium and ultra-premium vodka over the last five years in this region are significantly higher than any other spirits category.

Herbal bitters and rum, where Stock also has leading brands, are both in volume growth. This is also the case for whisky, where Stock has built share primarily via distribution partnerships with Diageo and Beam Suntory, but is also building a presence using its own brands and those from our Quintessential Brands Ireland Whiskey Limited investment.

Spirits performance is influenced by many factors, including demographics, national economic performance, consumer confidence, disposable income, and regulatory environments. Whilst in the short-term consumer demand may fluctuate with economic and regulatory changes, over the long-term we anticipate growth in living standards and disposable income in the regions in which we operate, and therefore a greater demand for higher value spirits in line with our premiumisation strategy. Our sustained growth reflects our ability to leverage these trends by evolving our brand portfolios, supported by marketing investment, innovation, operational excellence, and strong sales capabilities.

Strong momentum in Poland continues

Revenue for Poland was €171.7m for the 12 month period to 30 September 2019 (9 months to 30 September 2018: €105.6m), with Adjusted EBITDA of €43.1m (9 months to 30 September 2018: €27.5m).

On a proforma basis, revenue increased 13% from €152.6m in 2018. Adjusted EBITDA increased 7% on a proforma basis from €40.4m in 2018. In 2019, this division represented 55% of Group revenue (2018 proforma: 54%).

Poland is the world's third largest vodka market by value, and the number one European vodka market[1]. It is the Group's largest market in revenue and profit.

During 2019, the national economy grew, disposable incomes rose, and unemployment fell – all of which increased consumer confidence and purchasing power. These positive macro trends helped drive accelerated growth in spirits. Vodka was the top contributor to category growth, the second being whisky. The total vodka category grew both value and volume. The fastest value growth rate continued to be from the flavoured sub-category, but the far larger clear vodka sub-category returned to value growth, becoming the greatest contributor to absolute growth.

Source(s):

1. IWSR 2018; aggregated spirits data from Poland, the Czech Republic, Italy, Slovakia, Croatia and Bosnia & Herzegovina

Chief Executive's Statement *continued*

Poland is out-performing the total vodka market, with continued share gain. We have now delivered 29 consecutive months of volume share growth versus the equivalent month in the preceding year, which is a clear sign that the business has fully turned around.

The global trend towards premiumisation in spirits is clearly visible in the Polish market, as total premium vodka achieved double-digit value and volume share growth. The mainstream vodka segment continued to outperform the economy segment, with improved value performance. The economy segment continued to decline in value as competitive pricing in the mainstream segment continues to attract up-trading consumers[2].

Stock is outperforming the total vodka market, with continued share gain. We have now delivered 29 consecutive months of year-on-year volume share growth[2], which is a clear sign that the Polish business has turned around. Stock's total vodka volume share grew from 26.8% last year to 29.0%, and value share grew from 27.4% to 29.5% (on an Moving Annual (MAT) Total basis)[2]. For a fourteenth successive month, our volume and value growth outperformed our largest competitor. Our second largest competitor continued to decline heavily in volume and value.

The leading contributor to our clear vodka share growth was the continuing double-digit growth of our largest premium brand, Stock Prestige, which is the number one premium brand in the Polish market. Amundsen, another of our premium vodkas, grew volume at a rate almost double that of the top-premium segment in which it competes. Our leading mainstream vodka, Żołądkowa De Luxe, also achieved volume and value growth, outperforming that segment and retaking the number two position within it. In the declining economy segment, Żubr and 1906 both grew in value[2].

Stock also grew total volume and value within flavoured vodka, leading growth in the category. Our leading flavoured brand, Lubelska, delivered a higher growth rate than the market-leading flavoured brand. Our Saska flavoured range continued to establish itself amongst emerging spirit drinkers, almost doubling in size. Żołądkowa Gorzka also returned to value growth[2].

The continued strengthening of our sales team capabilities created closer cooperation with key customers. In addition, we stepped up the intensity and quality of promotional support, and have engaged in a significant programme of fixture re-layouts in the traditional trade which is yielding improved results.

In our half-year results statement in May, we referred to the possibility of an increase in alcohol excise from 1 January 2020. Draft legislation to implement a 10% increase from 1 January 2020 was introduced in the Polish parliament in November. We are taking the actions necessary to manage the change and its consequences, and are confident of our ability to mitigate any impact.

Strong performance in the Czech Republic

Revenue for the Czech Republic was €81.3m for the 12 month period to 30 September 2019 (9 months to 30 September 2018: €49.2m), with Adjusted EBITDA of €24.4m (9 months to 30 September 2018: €13.6m).

On a proforma basis, revenue increased 11% from €73.2m in 2018. Adjusted EBITDA increased 13% on a proforma basis from €21.6m in 2018. In 2019, this division represented 26% of Group revenue (2018 proforma: 26%).

Excluding the impact of the Bartida acquisition in the year, underlying revenue and Adjusted EBITDA for 2019 was €79.1m and €24.2m respectively.

The Czech Republic is our second largest market, where Stock has held spirits leadership for over 20 years[3], with brand leadership in the key categories of rum[4], vodka and herbal bitter liqueurs.

Revenue

€312.4m

(12 mth proforma 2018: €282.4m)
(9 mth reported 2018: £193.8m)

Source(s):

2. Nielsen, total Poland, total off-trade, total vodka, MAT September 2019
3. IWSR 2018
4. In the Czech Republic the "rum" category of the spirits market includes traditional rum, which is a spirit drink made from sugar cane, and what is widely referred to as "local rum", known as "Tuzemak" or Tuzemsky", which is made from sugar beet. As used in this Report, "rum" refers to both traditional and local rum, while "Czech rum" refers to local rum

STRATEGY IN ACTION: ACQUISITION

Distillerie Franciacorta in Italy

Stock Spirits acquired Distillerie Franciacorta's spirits, liqueurs and wine business, together with land for the construction of a new production facility.

Founded in 1901, Distillerie Franciacorta is located in Franciacorta, in the Lombardy region of Italy. Stock Spirits acquired Distillerie Franciacorta's spirits and liqueurs business, together with land for the construction of a new production facility. It also acquired the prestigious Franciacorta wine brands, although all aspects of the wine manufacturing was retained by the vendors, the Gozio family. Distillerie Franciacorta's deep expertise in local, premium products resonates strongly with Stock Spirits' wider strategy of investing in well-loved national premium brands with genuine and high quality provenance.

The main spirits brands acquired are in the grappa category. The grappa category is Italy's fourth largest spirits category, and the total premium price segments in which the Franciacorta brands are positioned grew by +3.3% in value terms year-on-year[1]. The acquisition means that Stock Spirits is now the number one branded grappa business by value in the Italian off-trade. Stock Spirits sees clear synergies with its existing operations, both in the on-trade, where Stock Spirits can leverage Distillerie Franciacorta's strong presence, and in the off-trade, where the acquired brands will benefit from Stock Spirits' current strengths.

Distillerie
FRANCIACORTA
DAL 1901 DISTILLATORI IN FRANCIACORTA

Source(s):

1. IWSR 2018

Find out more at:
www.stockspirits.com/news/

"We are delighted to have acquired Distillerie Franciacorta, which is a business with a fantastic heritage and outstanding brands. This is a truly compelling opportunity that we had been looking at for more than a year, and we see clear and attractive synergies with our existing Italian operations."

Mirek Stachowicz
Chief Executive Officer

Chief Executive's Statement *continued*

We further developed our sales and marketing capabilities, with a step-change in category-management as well as a continued focus on price management and promotional efficiency.

The national economy is performing well, with an increase in disposable incomes and a desire for premium products driving value and volume growth in spirits.

The four core categories on which Stock focuses – i.e. rum, vodka, herbal bitters and whisky – together account for c.75% of total spirits volume and are therefore key drivers of overall spirits performance. Value growth was driven primarily by rum, the largest category, and by whisky. These offset a flat performance from vodka and a decline in herbal bitters.

Stock achieved significantly higher volume and value growth than the total spirits market, as well as superior value growth compared to our main competitors. This was driven by a combination of our premium innovation, benefits from previously acquired brands, and the addition of new distribution brands. We increased our market leadership, growing value share from 33.0% to 34.3% and volume share from 34.7% to 35.8%[5].

Within this, Stock grew its market-leading share of the largest category, rum, through the outstanding success of Božkov Republica, which launched in 2018 and significantly grew our value share of imported rum. Its growth was largely incremental as our core Božkov Tuzemsky brand also grew volume and value – as did Captain Morgan Original, which Stock distributes on behalf of Diageo[5].

In a flat vodka category, Stock grew both volume and value. Whilst retailer own label continued to grow, its growth rate and share gains slowed significantly. Stock's brand leader, Božkov vodka, delivered value growth that out-stripped that of retailer own label.

We have the strongest whisky portfolio in the Czech market through our well-established partnership with Diageo, the distribution agreement with Beam Suntory (which started in early 2018) and an increasing focus on our own whisky brands. As a result, we achieved strong whisky value share growth despite stiff price competition.

These successes outweighed share decline in the contracting herbal bitters category, where Fernet Stock was affected primarily by changed retailer promotional strategies coupled with aggressive price discounting from international competition. Fernet Stock was re-launched in the summer of 2019 to address this situation, and met with a very positive response from our trade customers and consumers.

We further developed our sales and trade marketing capabilities, with a step-change in category-management as well as a continued focus on price management and promotional efficiency. We expanded our contact and service levels with a new dedicated call-centre which increased distribution, revenue and operational efficiency. We also continued to build customer relationships and develop our e-retail customer base.

In our half-year results statement in May, we referred to the possibility of increase in spirits excise. Legislation proposing a 13% increase in excise tax on spirits from 1 January 2020 is progressing in parliament, with final approval expected very shortly. As in Poland, we have implemented actions to manage the proposed change and are confident of our ability to mitigate any impact.

Italy stabilising

Revenue for Italy was €26.9m for the 12 month period to 30 September 2019 (9 months to 30 September 2018: €17.6m), with Adjusted EBITDA of €3.6m (9 months to 30 September 2018: €1.7m).

On a proforma basis, revenue increased 4% from €25.8m in 2018. Adjusted EBITDA decreased 19% on a proforma basis from €4.4m in 2018. In 2019, this business represented 9% of Group revenue (2018 proforma: 9%).

Excluding the impact of the Distillerie Franciacorta acquisition in the year, underlying revenue and Adjusted EBITDA for 2019 was €25.5m and €3.8m respectively.

The Italian spirits market remains highly fragmented with several mature categories including bitters, vodka, brandy, whisky and liqueurs. Whilst Stock has a relatively small overall share of total spirits, our 6.9% value share (2018: 5.7%[6]) in the modern trade channel gives us leading positions in a number of key categories in the off-trade. This includes number one positions in the clear vodka, vodka-based liqueurs, limoncello and (since the acquisition of Distillerie Franciacorta) grappa categories, and the number two brand in brandy[7].

Source(s):

5. Nielsen MAT to end September 2019, total Czech off-trade
6. IRI total Italy, total modern trade, total spirits, YTD September 2019 and YTD September 2018 for prior year excluding the Distillerie Franciacorta acquisition
7. IRI total Italy, total modern trade, total limoncello, total brandy, total flavoured vodka-based liqueurs and total vodka, YTD September 2019

Adjusted basic earnings per share

19.68 €cents

(12 mth proforma 2018: 16.72 €cents)
(9 mth reported 2018: 9.71 €cents)

Profit for the period

€28.3m

(12 mth proforma 2018: €13.6m)
(9 mth reported 2018: €19.3m)

There has been an improvement in consumer confidence, underpinned by slight declines in unemployment and inflation and an increase in disposable income[8]. Reflecting this improving macro trend, the total spirits market grew in value and volume for the year as a whole. This was reflected in our own performance, which improved as the year progressed.

Stock grew volume and value share in the brandy category, driven by the continuing success of our Stock 84 range, notably via the premium Stock 84 XO variant. Volume and value MAT shares in our four other key categories – limoncello, vodka, flavoured vodka-based liqueurs, and existing grappa – were flat overall.

The first signs of stabilisation began to emerge during the second half of the year in our Italian business, as we continued to invest in our brands and people, reversing a number of years of cost-cutting. Trade relationships were strengthened through the successful negotiation of annual deals with all buying groups, and planned price increases were achieved. We continued to invest in our core brands of Keglevich and Stock Brandy, and started to see the benefits in the second half of the year.

Nevertheless over the full year, in a highly competitive market, Stock lost volume and value share on our existing brands in our key focus channel of the modern off-trade. As a result and as reported at the half year, there was an after-tax €13.3m impact to the income statement of a non-cash impairment against historical goodwill and brands.

A key focus for our Italian team was the acquisition of Distillerie Franciacorta, and its integration is on track. Among its many benefits, the acquisition gives our Italian provenance a significant boost.

We have recently announced the appointment of a dedicated Managing Director for the Italian business, further strengthening the local team by assigning a full-time senior manager to run the business. Marco Alberizzi, an Italian national, has extensive beverages and FMCG experience in Italy and has a track record of business turn-around with Bacardi Italy.

In our half-year results statement in May, we referred to the possibility of an increase in VAT from 1 January 2020. Since then there have been no further developments. Nevertheless, we remain prepared to implement any actions necessary to manage any changes that may be announced.

Other markets

Other markets include Slovakia, Bosnia, Croatia, Bosnia & Herzegovina, our export activities and our Baltic distillery.

Revenue for our other markets was €32.5m for the 12 month period to 30 September 2019 (9 months to 30 September 2018: €21.3m), with Adjusted EBITDA of €5.4m (9 months to 30 September 2018: €2.8m).

On a proforma basis, revenue increased 5% from €30.9m in 2018. Adjusted EBITDA decreased 5% on a proforma basis from €5.7m in 2018. In 2019, this division represented 10% of Group revenue (2018 proforma: 11%).

Slovakia: resilient performance in challenging conditions

In a lower growth spirits market than last year, Stock lost marginal volume share but maintained value share. Our biggest growth driver was rum, where Božkov Republica's roll-out achieved a number two ranking in imported rum. In vodka, Amundsen's value growth rate was double that of the vodka category. In whisky, Jim Beam, distributed on behalf of Beam Suntory, grew value well ahead of the total whisky category.

This growth off-set declines in two of our established categories, herbal bitters and fruit spirits. Stock maintained brand leadership in the highly competitive herbal bitters category, but lost share due to highly competitive pricing. The recent Fernet Stock re-launch is aimed at addressing this. Demand for total fruit spirits also contracted, negatively impacting the volume performance of Stock's Golden economy range, despite a stable performance from the premium Golden Ice range and strong growth in fruit distillates.

Overall, it was a challenging year in Slovakia but one in which expansion into rum and whisky, and a strong performance in vodka to remain the second biggest player in the off-trade.

Source(s):

8. OECD to end September 2019

Chief Executive's Statement *continued*

STRATEGY IN ACTION: ACQUISITION

Bartida in Czech Republic

The capabilities acquired with Bartida will step-change our ability to serve the on-trade, a channel important in brand building.

Bartida is a premium spirit drinks business focused on the premium on-trade market in the Czech Republic. This acquisition will strengthen our position as a leading player in this segment.

Bartida's portfolio, which comprises both own-brands and third-party distribution brands, covers the premium end of the rum, fruit spirits and liqueurs categories, where it fits neatly in above Stock Spirits' existing portfolio, providing revenue synergies as well as complementary operational capabilities. Bartida's focus is on direct sales to premium on-trade outlets, and it also has its own e-shop, demonstration bar and on-trade training centre in the centre of Prague. This combination of complementary product portfolio and route-to-market strengthens Stock Spirits' existing business in the Czech Republic and is in line with Stock Spirits' wider premiumisation strategy. Due to the unique concept and on-trade capabilities of Bartida, we will keep the unit operationally independent, whilst also including our own premium brands within its portfolio. We will also evaluate the feasibility of rolling out the direct sales model for premium on-trade outlets to other markets.

BARTIDA

Find out more at:
www.stockspirits.com/news/

Our innovations aim to "trade-up" consumers to more premium purchases, and to recruit young-adult drinkers. Collectively, an extremely strong NPD programme across the core brands contributed to our value growth.

Other (i.e. Croatia, Bosnia & Herzegovina, our export operations, and our Baltic distillery)

In Croatia, Stock grew volume and value. This was achieved primarily through on-trade focus, which was supported by the re-launch of Stock 84 and a widened range of distribution brands.

In our export markets, the successful reorganisation of our route-to-market in Germany contributed volume uplift from improved distribution. Our new distribution partnership with The Drinks Company in the UK is now generating high margin incremental sales versus last year.

Irish whiskey joint venture: QBIWL

In March 2019, our Quintessential Brands Ireland Whiskey Limited joint venture commissioned its Dublin distillery and opened its Visitor Centre. Liquid is now being produced and laid down. The brands of The Dubliner and The Dublin Liberties have recently won several international industry awards and are starting to gain traction in our markets. Poland is now the third largest market for The Dubliner globally.

Value creating acquisition strategy

During the year we completed two strategic acquisitions that, in different ways, represent the attractive value-creating opportunities that exist for Stock to augment our organic growth momentum. Distillerie Franciacorta provides a premium portfolio that enhances our current brands in Italy. Bartida brings strengthened distribution into the Czech premium on-trade channel. Both acquisitions will enhance our earnings and deliver returns ahead of our conservatively high hurdle rates.

The acquisition of Distillerie Franciacorta, announced in January 2019, was completed in early June and means that Stock is now the number one grappa player in the Italian off-trade. This represents our first step in pursuing consolidation opportunities in the premium segment in Italy, and it has strengthened our position in what remains a fragmented but highly attractive market.

Grappa is Italy's fourth largest spirits category, and the total premium segments in which the Franciacorta brands operate grew by +3.3% in value year-on-year[9]. We see clear synergies with existing operations, both in the on-trade where we can leverage Distillerie Franciacorta's strong presence, and in the off-trade where the acquired brands will benefit from our traditional strengths.

The acquisition gives us a substantial amount of scale in grappa, especially in premium, with minimal additional overheads, and the acquisition is expected to be earnings enhancing in FY2021. More broadly, the acquisition also provides a strong platform from which to enhance the provenance of the Stock Italian brand portfolio and rejuvenate our Italian business. It will enhance our premium on-trade sales capabilities and triple the sales force, bringing growth synergies across the off and on-trade for our entire portfolio. The success of the transaction and integration process provides us with a useful "template" for potential future acquisitions of this kind.

In May we also completed the acquisition of Bartida, bringing new capabilities and brands to our Czech business. The acquisition builds on our market leadership in Czech and delivers a step-change in our capabilities in the premium on-trade channel. Bartida focuses on premium on-trade outlets, and uses innovative channels such as an e-shop, demonstration bar and on-trade training centre. Bartida also provides a direct route to market to the premium on-trade, and it is a proven model in the Czech Republic which we aim to export to other markets.

The Bartida brand portfolio brings a combination of their own premium brands of fruit spirits and liqueurs, as well as distribution brands, primarily in premium rum. There are no conflicts with our current portfolio, including our distribution brands. Bartida will be earnings enhancing in FY2020.

As we develop our strategic ambitions beyond 2020, we remain committed to increasing shareholder value. Value-creating acquisitions in new categories and/or markets will be a key part of our strategy.

Source(s):

9. IWSR 2018

Chief Executive's Statement *continued*

The use of cutting edge technology is a key part of our strategy to deliver enhanced brand experiences. In Poland, Stock started the world's first virtual bartender league.

Innovations

We continued to build our core brands via a focused programme of NPD introductions. These aim to "trade-up" consumers to more premium purchases, and to attract millennial drinkers[10]. Collectively, an extremely strong NPD programme across core brands contributed to our value growth.

Poland

In Poland, a new premium Żołądkowa Gorzka range was launched under the "Kolonialna" sub-brand, with recipes inspired by 18th century Polish merchant adventurers. Lubelska expanded its appeal to millennial drinkers of flavoured spirits, with the addition of two new Lubelska "Soda" sparkling fruit flavours designed to widen category and brand usage. Orkisz, our top-premium Polish spelt vodka, was re-launched in a more premium new look, supported by in-store activation and a digital marketing campaign. This resulted in significant value growth in the top premium segment through expanded distribution and increased consumer appeal at point of purchase. Stock Prosecco was also re-launched in more premium packaging to widen its appeal to a millennial audience.

Czech Republic

NPD in the Czech Republic also focused on premiumisation of our core brands and increased recruitment of millennial drinkers. The most significant NPD activity was the Fernet Stock re-launch, with new packaging, an expanded flavour range (including lower ABV economy and higher ABV premium offerings) and a revised pricing architecture, all supported by a heavyweight national marketing campaign.

We launched new labels on our core Božkov Tuzemsky range to improve shelf impact and provide easier range recognition and navigation for consumers. Božkov also expanded its range in the fast growing dark rum and imported rum sub-categories. Božkov Cerny (Black) was the first dark tuzemsky launched in the Czech Republic, and rapidly achieved leadership in that sub-category. Božkov Republica Reserva was launched in late 2019, and is a premium offer which complements our established Republica sub-brand. To celebrate November's thirtieth anniversary of the 1989 Velvet Revolution, Božkov Tuzemsky also launched a commemorative limited edition.

Whisky

Alongside our successes with our partner whisky brand owners, we are developing our own whisky brands. During 2019 we redeveloped our single malt Czech whisky, Hammerhead, under the re-launched Pradlo brand name with new improved liquids and super premium packaging.

Amundsen

Amundsen vodka accelerated recruitment of millennial consumers. We re-launched its low strength vodka-based liqueur range under the sub-brand "Fusion", with new packaging and an enhanced range of contemporary flavours. Building on the learning from our successful limited editions on Stock Prestige in Poland, Amundsen also launched a limited edition for the Czech on-trade, with a premium dark blue glass finish for added on-shelf impact.

Operations, supply chain

We continued to develop purchasing capabilities to mitigate adverse market conditions in certain categories of inputs. Our plants remain well-invested, with a particular focus on health and safety considerations. Options to create more flexibility to manage our overall cost of goods as well as mix headwinds are being constantly reviewed at all levels of the business.

One such initiative is to increase our own production of alcohol. With this in mind, we have announced that we intend to substantially expand our distilling capabilities at Lublin in Poland to supplement our existing Baltic distillery. A capital investment of c. €25m is envisaged over a three year period, with an estimated pay-back period of five years.

Digital and technology

The use of cutting edge technology is a key part of our strategy to deliver enhanced brand experiences. In Poland, Stock started the world's first virtual bartender league, which includes educational activity aimed at creating brand advocacy and increasing consumer engagement in the on-trade.

Our NPD success rate has been strengthened by our investment in a platform to better manage the development process.

Source(s):

10. Stock Spirits defines millennials as young-adult drinkers above the legal age for the relevant market

We initiated our OneSAP project to develop and implement a common ERP solution across the Group, aimed at better leveraging our scale across certain functions. An upgraded standard platform will be designed and implemented by FY2022. Being an existing SAP-user, this capital investment is not expected to materially increase our capital expenditure levels.

Our people

Our second employee engagement survey showed overall improving engagement levels. As with the previous survey, the results are being acted upon.

During the year, we updated our Vision and Mission, articulated our Purpose, and agreed the Values that define and align our organisation and culture.

Our partners

Stock is Europe's third largest spirits by company volume[11]. Given the scale of our positions in the markets in which we operate, we are an attractive partner to other spirits businesses wishing to leverage our route-to-market scale and capabilities.

Poland

We continued to grow whisky share via the Beam Suntory portfolio, where Jim Beam grew value share. Cooperation with Synergy Brands, with whom we have partnered since July 2016, generated positive results, with Beluga growing value in the fast growing ultra-premium vodka segment.

Czech Republic

We are about to complete our fifth year as exclusive distributor of the core Diageo brands, and are delighted with the continued value growth of Captain Morgan, Johnnie Walker and Baileys. The addition of the Beam Suntory range materially increased our total whisky share and we began distribution of The Dubliner and The Dublin Liberties Irish whiskeys from Quintessential Brands Ireland Whiskey Limited.

Integration of distribution brands with Stock's leading local brands across these markets and in Slovakia, Croatia and Italy brought significant benefits to the combined portfolios and further strengthened our overall offering.

Source(s):

11. IWSR 2018

Outlook

We are pleased with the momentum in our core markets of Poland and the Czech Republic, and we see significant scope for further growth across all of the markets in which we operate. The year's two acquisitions provide greater scale, a stronger and more premium portfolio, and new distribution capabilities that strengthen our business model.

Our planned investment in our distribution capabilities in Poland will deliver future value to the business and deliver margin enhancement as we grow the business further.

While there are challenges in certain areas of our business, notably in managing any impact that might result from the proposed excise tax increases in the Czech Republic and Poland, we remain confident in the strength of our brands, the quality of our people and the viability of our strategy. As a result, we believe we are well positioned for future success.

Mirek Stachowicz
Chief Executive Officer

4 December 2019

A front view of the Dublin Liberties Distillery. Stock Spirits has a 25% investment in the Irish whiskey venture, Quintessential Brands Ireland Whiskey Limited.