

16<sup>th</sup> May 2016

## Western Gate Private Investments Limited

### Response to reports on the Stock Spirits AGM from ISS, Glass Lewis and PIRC

Western Gate Private Investments Limited ("Western Gate" or "we"), a 9.7% shareholder in Stock Spirits Group plc ("Stock Spirits"), has requisitioned proposals to be considered at the AGM of Stock Spirits, which is scheduled for 23<sup>rd</sup> May 2016. These proposals included the appointment of two new independent non-executive Directors, Alberto da Ponte and Randy Pankevicz, to increase the depth of relevant experience on the Board of Directors of the Company (the "Board") and help turn around the Company's recent fortunes.

Western Gate is pleased to note the reports issued by three of the leading proxy advisers - Institutional Shareholder Services (ISS), Glass Lewis and Pensions & Investment Research Consultants (PIRC) - all of which have taken great care in hearing the Western Gate arguments and the counter arguments from the Company. We welcome the findings of their analysis and their unanimous recommendation that their institutional clients vote FOR the election of BOTH Alberto da Ponte and Randy Pankevicz to provide a fresh perspectives to this Board.

Whilst Western Gate acknowledges Glass Lewis', ISS' and PIRC's position to vote against Resolution 18 (relating to a moratorium on any M&A until a reviewed strategy is presented and approved by shareholders) we would still encourage you to vote FOR this resolution as we believe it is in the best interests of all shareholders. Western Gate made this proposal as it believes shareholders would be best served by management tackling the problems in its core market, rather than being distracted by pursuing M&A targets elsewhere. We also see significant risks to shareholders from the recently stated strategy that may include the Company attempting to enter highly consolidated markets like the UK and Scandinavia.

#### **Luis Amaral said:**

*"All three major proxy advisers have now recommended institutional shareholders to vote FOR the two new independent candidates. I am glad that they all agree with the company's largest shareholder - that the Board needs fresh perspectives and broader relevant experience. I would urge any shareholders reading this to follow their recommendations to support the proposed board members - an important step in turning around the company's poor performance."*

In summary, our concerns relate to:

1. The significant decline in market share which is evidenced by a 33.5% decline in Polish revenue from FY13 to FY15 and has resulted in the Company surrendering its market leading position in the Polish vodka market;
2. An underperforming share price which at 163.5p has halved from the peak of 315p and is well below the listing price of 235p;
3. The significant increase in corporate costs which are up 111% since 2011, whilst revenues have declined 11% over the same period
4. The high level of UK head office costs where the Company has no major revenue generating operations;
5. Executive management have continued to be very well rewarded notwithstanding poor underlying business performance; and
6. A culture of "Group Think" at the Board level which has helped contribute to "Remote control management" from the UK and, as evidenced by the market share loss and share price fall, is not working and may have resulted in the loss of key regional

leadership with 5 regional managers (across 3 regions) leaving the Company since IPO.

**Ends**

**Contact**

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**Notes to editors**

Alberto da Ponte is a veteran of the drinks industry for 25 years having run businesses for Heineken Group, Scottish and Newcastle, Unilever and Cadbury Schweppes.

Randy Pankevicz has worked in the drinks industry for 25 years primarily at PepsiCo International and has held senior commercial, operational and financial positions across its Central and Eastern Europe divisions.