



Chief Executive's Review

This annual report details a highly successful year for Edrington, in which our brands and key markets bounced back from the challenges of last year to deliver excellent results.

We achieved a 53% year-on-year increase in core contribution in 2021/22, which was 28% above the pre-pandemic levels in 2019/20. Our growth this year comes in the context of a recovery in the global premium spirits market, although our portfolio has been able to outperform the market by a significant margin, benefitting from an early return to investment in our people, brands and capabilities.

PERFORMANCE HIGHLIGHTS

We have returned to the growth trend we saw in the years before the pandemic, with net sales increasing across all business units. The financial review details further improvement in cash flow and debt ratios, despite record investments across many areas of the business.

The growth in the value of sales outstripped the growth in volume, reflecting the success of our strategy to focus the business on the most premium products, along with positive market and channel mix.

The Macallan is well-established as the world's most valuable Single Malt Scotch Whisky, and it built on that leadership last year with exceptional value growth. The team's single-minded focus on the quality, craft, and sustainability of the brand was evident in remarkable consumer experiences in cities around the world, and in a range of new products that included The Macallan Harmony, Distil Your World New York and The Reach, an 81-year-old that was distilled during the Second World War.

Our Malts business unit, comprising The Glenrothes, Highland Park and Naked Malt, also performed well across their key markets, growing sales value ahead of volume. We see significant potential for these three distinctive malt whiskies.

It was an exceptional year for Brugal in its core markets of the Dominican Republic and Spain. It is now well ahead of its pre-pandemic performance and continues to increase the value of sales ahead of volume growth. Brugal's ultra-premium expression, 1888, is performing well due to focused investment in brand building and dedicated teams in key locations.

Sales of The Famous Grouse are back to pre-pandemic levels, with its strongest results in the core markets of the UK and Sweden. Whilst the blended Scotch category remains under pressure, the appeal of this well-loved brand is enabling it to grow sales and profitability.

MARKET DEVELOPMENT

During the year we expanded our European footprint with the opening of Edrington France and extended our Maxxium Netherlands joint venture with Lucas-Bols through the creation of Maxxium BeLux, based in Brussels.

In May last year, Edrington and Beam-Suntory agreed to swap their joint venture stakes in the UK and Spanish distribution companies, with Edrington assuming full ownership of Edrington UK. Beam-Suntory continues to represent Edrington's brands in Spain under a new distribution agreement.

We also finalised a strategic partnership with long-term partners Berry Bros. & Rudd, which saw Edrington take a significant minority stake in No.3 London Dry Gin.

In response to the invasion of Ukraine we suspended shipments to Russia and continue to monitor the situation carefully. Our thoughts are with all those displaced and suffering because of this crisis. We are committed to supporting international humanitarian charities through our Giving More Together initiative, double matching funds raised by our employees worldwide.

STRATEGY AND SUSTAINABILITY

The Board took the opportunity to refresh Edrington's strategy in 2021. It has served the company well during the pandemic, focusing effort and investment in the areas where they make the biggest impact. We have concluded that our focus on crafting exceptional ultra-premium spirits brands remains appropriate and will continue to drive growth for the foreseeable future.

A key part of Edrington's strategy is our sustainability agenda, with a particular focus on reducing our carbon footprint. The sustainability report charts the encouraging progress we have made across target areas. However, the climate emergency requires a more urgent response and so I am pleased that we have made a commitment to work with the Science Based Targets Initiative to achieve Net Zero by 2045.



Chief Executive's Review (continued)

PEOPLE AND CULTURE

The results we have reported truly reflect the quality of Edrington's people and our unique culture. We have continued to see a collaborative and agile approach to the many challenges faced by the business during the year as well as a huge effort by our people to deliver excellent outcomes. I thank all our employees around the world for the work they have done and the results they have achieved this year.

I am pleased to note that we have made progress in our Diversity, Equity, and Inclusion (DE&I) efforts, including improving senior leadership gender diversity and narrowing the UK gender pay gap. Led by our Diversity and Inclusion strategy, we continue to strive to become a more diverse organisation across several key areas.

LOOKING FORWARD

These excellent results show Edrington and our brands recovering well from the effects of the pandemic in markets around the world despite the volatile trading environment. We expect consumer price inflation, input cost pressures and supply chain disruption to continue throughout the new financial year, and Covid-19 remains a threat. In the short term, efforts to suppress the virus are likely to affect our sales in China, and the risk of a more dangerous variant emerging anywhere in the world remains.

However, we have healthy brands, an effective strategy, record levels of investment in the business, great people, and strong momentum.

I am proud of what we have achieved in the past year. Edrington is a strong and very special business, and I am confident that our company is well-positioned to deliver further success in the future.

A handwritten signature in black ink, appearing to read 'Scott McCroskie', written in a cursive style.

Scott McCroskie

Chief Executive

28 June 2022