

Chief Executive's Review

My report last year highlighted the slower trading conditions we had been experiencing and our lower performance expectations for 2024/25.

In reality, and in common with most of the spirits industry, we have experienced a more challenging year than we expected at that time. With hindsight, the remarkable growth of the industry after the pandemic turned out to be temporary as consumers chose to spend accumulated savings on socialising with high quality spirits in bars, restaurants and at home. That boom ended during our last reporting period, and in this financial year we felt the full effects of a return to more normal consumption patterns. Our view is that negative trends were magnified by sharply declining consumer confidence around the world, mainly driven by economic concerns and a general sense of anxiety caused by conflicts and political uncertainty.

Performance

Our reported core revenue decline of 10% reflects these weaker consumer trends and the response by trade customers, which was to reduce their stocks. We saw performance hold up better at the lower price points, whilst sales of our top-end products slowed more sharply. We have been disciplined in ensuring trade stocks are at an appropriate level, and in avoiding commercial behaviour that could damage our long-term brand equity, even if this meant weaker short-term performance.

Core contribution is down 28% on last year as we did not reduce brand investment levels to the same extent as the drop in sales. We had already committed to a significant investment to mark The Macallan's 200th Anniversary with a year of events, campaigns and new product launches. In addition, although we had frozen recruitment since the start of the year, the effect of wage inflation resulted in a higher cost base, which has also adversely impacted profits.

Brands and Markets

The decline in core revenue was broadly consistent across markets, with a few notable exceptions such as the Dominican Republic, South Korea and Japan. We were pleased to see year on year growth of our core The Macallan expressions products in China, although business was weaker at the high end. New products launched to celebrate The Macallan's 200th anniversary performed well, including TIME:SPACE, which featured the world's oldest Single Malt Scotch Whisky.

We saw gains in value shares across several other key markets this year. The Macallan has grown demand for its core expressions, and we have recorded good progress in brand health data, which tracks consumer perception of our brands.

Brugal showed a resilient performance, especially in its home market, where it has continued to premiumise in recent years. Success in the Dominican Republic has formed a good base for growth in selected international cities for 1888 and Brugal's other ultra-premium expressions.

Our other single malts, Highland Park and The Glenrothes, have shown the most significant decline as a result of the global downturn, though we remain confident that both brands are well positioned when markets recover.

It is worth noting that even after this year's setback in performance, Edrington's core contribution is 38% above the level recorded immediately before the pandemic in 2019/20.

**CHIEF EXECUTIVE'S REVIEW
(CONTINUED)****Strategy**

I am pleased that we have continued to execute our business strategy effectively despite the hostile trading environment. It was with mixed feelings that we announced the sale of The Famous Grouse and Naked Malt brands during the year. We are proud that we have consistently out-performed the Blended Scotch market with The Famous Grouse and developed a much-loved brand. However, the sale reflects our choice to focus on the top-end of the market, where we are best placed to compete. Proceeds from the sale will allow the business to reduce borrowings, which is an advantage in uncertain times. We wish the purchaser, William Grant & Sons, well in their efforts to grow the brand in the future.

Other significant strategy developments included further investments in the sherry cask supply chain to secure the best quality casks in the industry. These underpin our liquid quality for the long term, a core competitive advantage for Edrington. We have also continued to invest in carbon reduction initiatives including significant redevelopment at our Highland Park distillery.

With strategic priorities including The Macallan's 200th anniversary and operational upgrades completed, investment levels in the coming year will be more selective, with ongoing review to ensure that these are aligned with business conditions.

People

As a result of lower levels of activity, especially in bottling, and the need to adjust the size of our business to reflect the lower level of income, it was necessary to make redundancies during the year. I can only apologise to those affected and express my gratitude for their contribution to Edrington.

I welcome Angus Cockburn as our new Chair and echo his gratitude to Crawford Gillies on his retirement from the role. On a personal level, I appreciate Crawford's support and positive challenge over the past eight years.

Outlook

The political and economic backdrop remains volatile which we expect will weigh on consumer sentiment in the coming year. We believe top line growth will be difficult to come by in this environment, although adjustments to overheads and Brand Investment will flow through so that core revenue and core contribution will be more closely aligned this year.

Edrington's strategic focus on ultra-premium spirits remains effective. We will continue to execute it in order to strengthen our brands and our business for the long-term benefit of our investors, our employees, and those who benefit from our own and our principal shareholder's charitable activities.

The challenges of the past year have placed exceptional demands on our employees around the world and I would like to thank them for the way they have responded, with commitment, resilience and agility.

**Scott McCroskie**

Chief Executive

23 June 2025