

Chief Executive's Review

I am pleased to report another year of excellent results for Edrington.

Core Contribution increased by 25% on last year's record result, despite a range of challenges in the external environment. Our strong trading performance has allowed us to invest significant sums behind our brands, our people and our capabilities, which will help fuel growth in coming years.

Our core revenue from the sale of spirits brands exceeded £1 billion for the first time. This outpaced the increase in volume of product sold, reflecting the growing proportion of our sales coming from the premium end of our portfolio, as well as price increases implemented to offset higher costs of manufacturing and distributing our products. We chose to commit 28% more than last year to Brand Investment to strengthen our brand equities and incurred higher costs in our direct inputs such as pay and energy, and also across almost every component and service we purchase. The 25% growth recorded in Core Contribution was slightly ahead of Net Sales growth and means that our profitability is now approximately 60% higher than it was three years ago, before the pandemic.

Brands and Markets

The Macallan performed strongly, helped by a mixture of pricing and the success of more premium lines, compelling product launches, and a higher proportion of sales coming from more profitable markets. We were pleased to announce the acquisition of 50% of Grupo Estevez in March 2023. This will underpin the supply of exceptional oak casks seasoned with the finest Sherries to mature The Macallan, and in doing so, ensure we continue to craft the highest quality Single Malt Scotch Whisky for generations to come.

We have made good progress this year in our strategic imperative of scaling up our smaller ultra-premium brands. Both Highland Park and The Glenrothes are being repositioned, with new product ranges and communications

campaigns going live during the year, and with much more to come. Brugal 1888 rum continues to show excellent progress in its priority markets, and we were delighted to take a controlling interest in Wyoming Whiskey after several years as a minority investor. This new phase will see us increase investment behind every aspect of the brand. Our partnership with No. 3 London Dry Gin has got off to a very good start, especially in the USA.

Our other brands also performed well during the year, with Brugal Rum growing strongly in Spain and the Dominican Republic, and The Famous Grouse selling well in its core markets, despite a difficult Blended Scotch category. Naked Malt continued to recover well from a challenging period when Covid brought the closure of the on-trade that forms the brand's core sales channel.

The business delivered a strong performance in almost every country where our products are sold. Particular highlights include our results in China, Hong Kong, Taiwan, the UK, Spain, the Dominican Republic, and the USA where we saw restocking by our wholesale and retail partners from very low post-pandemic inventory levels. Global Travel Retail (our airports business) continued a strong post-Covid recovery ahead of expectations. Following our suspension of shipments to Russia in February 2022 we fully exited the market in July 2022.

It is pleasing to report positive performance across many brands and countries as the trading environment was difficult during much of the year. We faced the impact of Covid lockdowns for part of the year, especially in China, and global supply chains remained under extreme pressure, most notably affecting the supply of glass bottles. This affected production and led to lower stocks in key markets at points during the year. As well as this we faced a high-inflation environment in the United Kingdom, which is the source of most of our goods and services.

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

Sustainability is a key pillar of our strategy, and I am pleased to report that we have made good progress in our first full year working towards our commitment of Net Zero by 2045. Whilst this is an ambitious target, we are determined to achieve it and play our part in responding to the climate emergency. We were pleased to have our targets verified by the Science Based Targets Initiative (SBTi) during the course of the year.

We achieved our emissions reduction target for this year, and we continue to seek ways of reducing our footprint further. Work is underway to implement solar farms in the Dominican Republic and Scotland, and we are currently designing a heat recovery system for The Glenrothes distillery.

Beyond our own operations, we must also reduce the carbon footprint of our extended supply chain. During the year we accelerated discussions with our key suppliers to understand their emission reduction plans and identify how we can support each other in reducing our respective footprints.

People

Edrington is committed to being an excellent employer, so I am encouraged to see the company score in the top quartile of organisations worldwide for staff engagement in a recent independent survey.

We want to see all of our people share in the success of the company through fair pay, good benefits, bonuses and participation in share ownership where possible. This year we awarded early and competitive pay rises, with specific emphasis in ensuring our lowest paid employees receive a good living wage, and we also extended the ability to participate in our market in 'B' ordinary shares to all locations where that is possible.

Looking Forward

I am confident that Edrington will continue to grow value for its shareholders and make further progress towards its vision of *Giving More by crafting exceptional ultra-premium spirits brands*. This is partly because the trading environment is improving as Covid recedes and inflationary pressures ease, but mainly because we have a clear strategy, healthy brands and a capable and motivated workforce. Whilst external risks remain, especially in relation to geopolitical tensions, our positive results this year have enabled investment in our business that will fuel growth and equip us to face whatever challenges lie ahead with confidence.



Scott McCroskie
Chief Executive

20 June 2023