



Chairman's Statement

Dear Shareholder

I am pleased to introduce our Annual Report for 2020. As I look back on the year just finished, I reflect on an exceptionally successful year which everyone involved with Edrington can be extremely proud of. By contrast, as I look forward to the years ahead, I recognise the unprecedented uncertainty that we along with many other companies face. However, I do so in the knowledge and quiet confidence that your company is built on strong foundations.

2019/20

The year just finished, the first under the leadership of our new Chief Executive, Scott McCroskie, was very successful. The new leadership team set out some bold, ambitious targets at the beginning of the year, based on the performance of the highest performing companies in our sector worldwide. Those targets were all hit. Core Revenues grew at 6%, and core contribution at 13%.

Those results were achieved in the face of considerable headwinds during the year including on/off Brexit planning, protests in Hong Kong and the imposition by the US of tariffs on malt whisky, before the tsunami of COVID-19 hit our markets in the fourth quarter. For further details on the performance during the year, please see the Chief Executive's review overleaf.

I would like to congratulate Scott, his leadership team and all our staff worldwide for their contributions to this exceptional result.

Looking Ahead

As I write this in the midst of the COVID-19 pandemic, I am aware that it is a bit of a cliché to talk of uncertainty and unprecedented change. While we don't yet know the depth of the COVID-19 economic downturn or its length, we do know that the years immediately ahead of us will be materially more difficult for many businesses than the relatively benign conditions we have faced over the last decade.

Edrington will not be immune from those difficulties and challenges.

Higher taxation to pay for government debt, higher unemployment, and greater consumer debt will all hit discretionary expenditure. Not only will the ability to spend be impacted, it is possible that after the psychological shock of

COVID-19, individuals' willingness to spend could cut consumer spending even further. As for spirit sales, we are likely to face further downward pressure from fewer visits to restaurants, hotels, clubs and bars, while reduced air travel will impact travel retail sales.

Edrington started to plan for the impact of COVID-19 in the early months of this year, as the disease impacted first on our operations in China and across Asia Pacific. Our teams in APAC responded brilliantly to this huge challenge, and teams across the rest of the Edrington world have learned from their experience and adapted quickly to keep this great business operating.

Our people have shown great agility and ingenuity to prepare for new working patterns, many hundreds working from home. At our bottling facilities and distilleries in Scotland and the Dominican Republic they have created safe systems of working that have allowed us to maintain the crucial supply of our super premium spirits to our markets.

I would like to say a huge thank you to all our people across all international locations for their professionalism, tenacity and sacrifices during this incredibly challenging time.

Our purpose

There is much talk in business these days of the 'purpose driven company'. Of how companies exist not just to satisfy their shareholders, but also to meet the needs of all their stakeholders including their employees, their communities and society at large.

In many respects Edrington was a purpose driven company long before the term was first used. As a result of the values the company has always had, inherited from the Robertson sisters, and reinforced by our unique ownership structure, we have long recognised our wider obligations to society.

That in turn has had a major influence on our strong culture and values, which I know from my own visits to markets around the world, extends well beyond our Scottish roots.

The strength that comes from that sense of purpose, our outstanding people, and the way they live and breathe the company's values of giving, integrity, excellence and respect, provides the foundation from which we face the future. While the short term may well prove difficult and require us to respond as we never before imagined, that foundation gives me confidence for the longer term.



Chairman's Statement (continued)

Suntory

A major development in the early months of 2020, was the cementing of our long-term relationship with Suntory with the sale by our principal shareholder The Robertson Trust and the Edrington Employee Benefit Trust of a 10% stake in Edrington to Suntory Holdings. Suntory have been shareholders in Macallan since the early 1990s, and we have long recognised the overlap in the values of the two organisations.

I would like to welcome Suntory as a shareholder in Edrington. We look forward to both companies benefitting from our strong partnership in the years ahead.

Dividend

We recognise the importance of our annual dividend to our shareholders, both The Robertson Trust in funding their good works across Scotland and individuals for whom their Edrington dividend is a source of income. Consequently, we have long followed a dividend policy that has emphasised sustainability.

We have weighed that up against the uncertainty we face in our global markets and looked at the finances of the business in various different scenarios. While the company's resources are strong, your board has concluded that we should err on the side of caution this year and that it is in the long-term interests of our shareholders and other stakeholders to suspend this year's dividend.

We will do everything we can to restore the dividend as soon as conditions allow.

Board Changes

I would like to extend a warm welcome to Shinichiro Hizuka, EVP Suntory Holdings who joined our board in March following Suntory's acquisition of its stake in Edrington.

I would also like to take this opportunity to thank David Richardson who steps down in September after seven years on our board. We have benefitted from David's wise counsel both as Chairman of our audit committee, and around the board table and wish him the very best in his retirement.

Finally, I would like to thank Martin Cooke who retires this summer as General Counsel and Company Secretary, after 31 years with the company. Among the many roles Martin has filled with distinction, he has acted as the primary liaison with our shareholders and I know they and we will miss his unfailing courtesy and deep knowledge of Edrington.

The Bigger Picture

Edrington is an important part of a very successful industry in Scotland and globally, with an astonishing 42 bottles each second of Scotch Whisky shipped to 175 markets around the world. In Scotland, our industry supports 10,000 jobs directly and over 40,000 across the UK supply chain. We are Scotland's most successful export sector.

As we transition from addressing a global health crisis to facing up to the enormous economic challenges ahead, it is critically important that our industry and governments at home and abroad work together to allow us to play our part in the recovery process. Now more than ever, we look to our governments across the world to support successful businesses like Edrington and to do all that they can to keep trade free, flowing and fair.

Crawford Gillies

Chairman

18 June 2020