Chairman’s Statement

In my first year as Chairman of Edrington I would like to echo my predecessor, Norman Murray, with his observation that Edrington is truly characterised by Great People, Leading Brands, Giving More.

I would also like to pay tribute to Norman for his leadership and service to the company. Like him, I have now met many of the company’s employees and have been struck by the consistency of Edrington’s ethos and approach across its many global locations.

In my experience this is one of the essential attributes of a successful global company.

The roots of this consistency lie in a company that has strong values and a clear sense of purpose. Edrington’s values can be traced back to the ethos of the founding Robertson family. In the modern era these values have become even more powerful and a true differentiator. Edrington’s people are encouraged to inspire, collaborate, engage, deliver, and be open to change.

Those behaviours have a bearing both on the performance of Edrington’s leading brands and its distinctive approach to Giving More.

The performance of the company’s brands is covered in detail further in this report and it is a story of growth across the portfolio. While I am encouraged by the company’s success, I am even more encouraged by the restlessness and ambition that I have found across the company, and the conviction that the best years lie ahead.

Nothing exemplifies this ambition more than the recently opened Macallan distillery and visitor centre. The first distillery on Speyside to be designed by an international architect, it has already claimed many accolades for its quality, style, and ambition. I would like to pay tribute to those who advocated, pioneered, and constructed this amazing asset.

The Board of Directors is also evolving. In May we welcomed Stefanie Fitzgerald as a non-executive director. Stefanie’s experiences in luxury brands and digital marketing during her career in international cosmetics will be very valuable to Edrington.

After 11 years Callum Barton is stepping down from his role as non-executive director. I would like to thank Callum for his wise counsel and support for Edrington during a period in which it has become a truly international brands company.

I would also like to take this opportunity to thank all Edrington employees for their enormous contribution in the last year and I look forward to meeting many more of them in the year ahead.

Crawford Gillies
Chairman

15 June 2018

Chief Executive's Review

In 2018 the group successfully completed the third year of Edrington 2020, a five year strategy to increase consumer focus and accelerate growth.

The strategy created new business units with clear direction to *Perfect The Macallan*, *Accelerate Highland Park*, *Develop Super Premium*, *Optimise Regional Power Brands*, and *Focus for Success*.

During this period Edrington has significantly increased brand investment expenditure at the same time as investing in people, stocks, systems, and processes.

As a consequence of this approach all business units grew contribution in 2018, leading to Edrington delivering core contribution growth of 7% whilst strengthening brands' equities.

MARKETPLACE CONTEXT

The geopolitical context contributed to a disruptive and uncertain climate. Many of the major political relationships which in turn govern trading arrangements fluctuated during the year.

For the first time since the global financial crisis, the World Bank reported that all major regions of the world are experiencing an upturn in economic growth. This helped increase the number of consumers who have the lifestyle and aspiration to drink premium brands.

This dynamic flowed through into growth for Scotch whisky in 2018. Last year Scotch grew in both volume and value (by 1.6% and 8.9% respectively) to a total of £4.36bn - the equivalent of 1.23bn bottles exported globally.

There was further growth in exports of Single Malt Scotch Whisky, increasing by 14.2% in 2017 to £1.17bn, and now accounting for 27% of all Scotch whisky exports.

A similar acceleration is taking place in the Rum category leading to confidence about the momentum in premium spirits.

STRATEGIC FOCUS

Launched in 2015, Edrington's 2020 strategy continues to have traction.

Although the strategy has been successful over the last three years, it has benefitted from two recent amendments:

After a period of extreme competition, especially in blended Scotch whisky, the Regional Power Brands business unit revised their strategic priority from *Optimise* to *Energise Regional Power Brands*, which in turn delivered further momentum into the business.

Similarly, the Super Premium business unit has refined its intention from *Develop* to *Transform Super premium*. Following the return of The Glenrothes, 'Transform' better reflects the belief that the Super Premium unit will grow earnings rapidly in the future.

We believe that Edrington 2020 - *Perfect The Macallan, Accelerate Highland Park, Transform Super premium, and Energise Regional Power Brands* – will remain powerful and drive even more consumer recruitment in its final two years.

PERFORMANCE HIGHLIGHTS

Core contribution grew by 7% last year as a consequence of all business units growing their contribution versus 2017.

The Macallan

The group's business model allows it to invest for long term growth. The Macallan benefitted from this approach as brand investment has increased by 38% in the last 2 years resulting in contribution growth of 7% this year.

The brand enjoyed success in areas of regional strength, the USA and Taiwan. Those markets have been joined by double figure contribution increases in the emerging markets of China and Russia. Success in these markets has strengthened the brand's position as the world's leading Scotch malt whisky by value.

The brand recently revealed its new distillery and visitor centre. Edrington is investing £500 million in the brand of which the £140 million distillery is the centrepiece. This programme increases investment in whisky, warehousing, and particularly in The Macallan's signature sherry-seasoned oak casks.

It is the first distillery on Speyside to be designed by an internationally acclaimed architect, Rogers Stirk Harbour + Partners, and was constructed in collaboration with Elgin-based Robertson and Scottish coppersmiths Forsyths.

The unsurpassed quality of The Macallan is in high demand and we face the future confidently with this new distillery. It's an authentic, abiding, ambitious investment that will match consumer expectations for generations to come.

Following the public opening in June, we expect this new Macallan enterprise to deliver significant benefits for the tourism industry, Scotch whisky exports, and the economy.

Super Premium

The Super Premium unit also enjoyed growth this year. Highland Park is the leading brand in this unit and following a year of aligning all marketing material behind its Viking Soul proposition, it delivered an exceptional 17% contribution growth and outperformed the malt category.

During its first year of repatriation Glenrothes has been worked on intensively and a new range with improved packaging will reach consumers during the summer.

In the USA our partnership with Tequila Partida continues to blossom as the brand capitalises on the momentum behind the category and its proposition as 'the World's freshest expression of blue agave'.

Regional Power Brands

In the last year the Regional Power Brands (RPB) business unit delivered contribution growth of 4% in a highly competitive marketplace. Central to this delivery was the exceptional performance of Brugal which grew brand contribution by 20%.

Brugal strengthened its leading position in the key markets of The Dominican Republic and Spain at the same time as growing its premium expression Brugal Extra Viejo to over 1M cases.

Edrington also announced an investment programme at the Brugal distillery in San Pedro de Macoris, a sign of confidence in the future potential of the brand.

The marketplace for blended Scotch remained extremely tough. Investment in consumer promotion remains at high levels making contribution growth difficult to deliver. The Famous Grouse performance reflected this trend although it was encouraging to deliver the highest ever UK share (37%) in the UK market in combination with share growth in the key Swedish market.

Cutty Sark delivered a resilient performance with volume and contribution growth, with a market share gain in its key Spanish market and continued growth in Japan.

CULTURE

Great People, Leading Brands, Giving More characterises Edrington. In the last year we have set out the values that underpin the organisation and map well against our founders' intentions.

Great People are united by their ability to Inspire, Engage, Collaborate, Deliver, and encourage a climate open to Change.

The group's *Leading Brands* are defined by their capacity to Anticipate, be Trustworthy, pursue premium Quality, create consumer Affinity, and Deliver.

And *Giving More* distinguishes and harmonises Edrington around Progress, Partnership, and Sustainability.

As we set out later in this report it was also pleasing to see a 9% increase in funds raised for charity through the Giving More Together scheme in which employee funds raised are double-matched by Edrington and The Robertson Trust.

Outside Scotland, the Giving More International programme which allocates 1% of pre-tax profits to good causes designated by Edrington's overseas offices, exceeded £7M since its inception in 2012.

I would like to thank our employees for both their high levels of engagement in Giving More and their outstanding contribution to last year's company performance.

LOOKING FORWARD

Economic and market developments remain encouraging in the near term. All regions are experiencing an upturn in economic growth and Scotch Whisky exports are also in growth.

The premium segment of Scotch Whisky and other spirit categories is the fastest growing, reinforcing Edrington's emphasis on premium brand building.

Whilst the economic and market context are encouraging the geopolitical context remains volatile. With unilateral stances becoming more popular in some major economies, the risk to trade has become greater. Scotch whisky is a robust and successful industry but it does face increasing competition from other authentic spirit categories leading to the 400+ trade barriers faced currently. Against this backdrop we want our governments to create a climate where economic development and growth is actively encouraged and rewarded.

Despite the geopolitical uncertainty that characterises our times we are confident about the medium and long term prospects for the business and will continue to invest in our people, brands, and processes.

With its premium brand portfolio, proven strategy, and management capability, Edrington remains well-positioned to deliver further growth.

Ian Curle
Chief Executive

15 June 2018

Financial Review

MANAGEMENT KEY PERFORMANCE INDICATORS	2018	2017	% movement
Volume (case equivalents)	**8.4m**	8.2m	2%
Presented in constant currency rates:			
Core revenue	**£706.7m**	£663.1m	7%
Brand investment expenditure	**£125.7m**	£120.2m	5%
Core contribution	**£210.5m**	£197.5m	7%
Presented in actual currency rates:			
EBITDA	**£232.9m**	£227.9m	2%
Profit before tax (pre-exceptional)	**£196.5m**	£189.6m	4%
Profit for the year (pre-exceptional)	**£87.9m**	£91.5m	-4%
Free cash flow	**£91.0m**	£98.3m	-8%
Net debt/EBITDA	**2.3**	2.1	
Return on capital employed	**21.4%**	23.2%	

STATUTORY KEY PERFORMANCE INDICATORS	2018	2017	% movement
Earnings before interest and tax	**£210.5m**	£207.1m	2%
Profit before tax	**£194.7m**	£189.0m	3%
Profit for the financial year	**£86.6m**	£91.0m	-5%
Total equity including non-controlling interests	**£780.6m**	£685.0m	14%

Volume
The total quantity of cases sold, where a case equivalent is measured as 12 70cl bottles at 40% abv.

Core revenue
Total revenue from sales of our branded products adjusted for the impact of foreign currency.

Brand investment expenditure
Advertising and promotional expenditure on our core brands, excluding discounts and restated to constant currency.

Core contribution
Profits from our branded sales and distribution adjusted for the impact of foreign currency and after the deduction of overheads.

EBITDA
Earnings before the deduction of interest, tax, depreciation and amortisation.

Profit before tax (pre-exceptional)
Profit before exceptional items and the deduction of taxation.

Profit for the year (pre-exceptional)
Profit after tax and minority interests excluding exceptional items.

Free cash flow
Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and non-cash exceptional items.

Net debt/EBITDA
The ratio of Bank & Private Placement Debt at hedged rates where applicable after deduction of cash balances to reported Earnings before interest, taxation, depreciation and amortisation.

Return on capital employed
Earnings before interest and tax before exceptional items as a percentage of invested capital. Invested capital is defined as being total equity adjusted to remove balances relating to financial instruments, post-retirement benefit obligations, intangible brand values and net debt, along with any associated deferred tax asset or liability.

Constant Currency
For constant currency reporting the comparative information is stated at the average rates used in the current year income statement. This allows direct comparability of the underlying performance across financial years.

Group Financial Performance (stated on a constant currency basis)

This has been another strong year of growth and increased investment for the Group. Core contribution grew across all of our business units and all of our regions, we further increased the investment in our brands and the premiumisation of our business continued with 76% of core contribution for the year generated by our Premium products.

Core revenue

Core revenue grew by 7% to £706.7m as a result of growth in each of our three business units and the impact of a full year of trading of The Glenrothes, following the acquisition of the brand in April 2017. The growth in core revenue was faster than the 2% volume growth, reflecting an increase in the sales mix towards higher value products.

Brand investment

We increased our investment in brand-building marketing activities this year by a further 5% to £125.7m whilst also increasing the focus on Premium products, which increased by 18%. The investment behind The Macallan grew by 8% following the 28% increase last year, resulting in a 38% increase in the last two years.

Core contribution

Core contribution grew by 7% to £210.5m. The Macallan grew by 7%, Super Premium grew by 18% on a like-for-like basis, increasing to 36% with the inclusion of trading from The Glenrothes, and Regional Power Brands grew by 4% with another strong year of growth from Brugal. Performance of our Premium products was consistently strong across all our markets, while the Standard Blended Scotch category continued to be more challenging.

Statutory results (stated in actual currency rates)

Revenue

Statutory group revenue grew by 5% to £739.3m, at a lower rate than our core revenue as a result of an adverse impact of currency primarily driven by a weaker US dollar relative to the prior year.

Profit before tax

Group profit before tax has increased by 3% to £194.7m, this is lower than the 7% core contribution growth as a result of adverse currency movements, combined with higher interest costs on our debt which increased to fund the acquisition of Glenrothes and the continued investment in our asset base. Partially offsetting these adverse impacts is £4.6m of other finance income, this is an accounting adjustment required under IFRS for hedging instruments in our distribution network which do not qualify for hedge accounting.

Profit attributable to parent

The Group's effective tax rate for the year was 21% compared with a prior year rate of 17%. The primary driver for this was a £6.1m credit recorded in the prior year relating to future deferred tax rate changes, there was no equivalent in the current period. This, combined with higher levels of profit in higher tax jurisdictions accounts for the variance. Profits attributable to non-controlling interests are marginally up year on year due to the better trading result which results in net profits attributable to the parent of £86.6m, a 5% decline on last year.

Exceptional items

The Group acquired the remaining 50% shareholding in Edrington Webb Travel Retail during the year in order to take full control of Travel Retail distribution routes to market in the Americas. The acquisition generated goodwill of £1.8m. Consistent with the treatment of previous distribution company acquisitions, the company decided to write off the goodwill in the year and this is, therefore, shown as an exceptional item in the income statement.

Cash flow and financial position

Net debt at the 31st March 2018 was £573.3m, an increase of £39.3m from 2017. This increase is net of a £26.6m positive impact from the retranslation of our US private placement financing.

The increase in net debt reflects the significant investments made in the year. Greater cash inflows from the growth in trading were more than offset by increased investment in maturing whisky stocks, in cask assets and in the new distillery and brand home for The Macallan. Furthermore, we brought The Glenrothes back into our Premium portfolio by acquiring 100% of the share capital of BB&R Spirits.

The group is financed by US private placement notes and bank debt. The net debt to EBITDA ratio at 31st March 2018 was 2.3 times (2017: 2.1 times), comfortably within the limit of the bank debt covenant of 3.25 times.

The investment in the year is evident in the closing financial position of the Group.

Total assets increased by £233.9m to £1,904m. £70.5m of the increase was in property, plant & equipment, primarily reflecting the new Macallan distillery and additional cask purchases. £16.5m was an increase in intangible assets, principally related to the acquisition of The Glenrothes. Inventories, of which maturing whisky stocks account for the majority of the value, increased by £63.7m as we invested for future sales growth.

Total liabilities increased by £138.3m to £1,123.4m, £101.3m of which reflects the increase in borrowings to finance the investments undertaken.

Post-employment benefit obligations

The Group operates two defined benefit pension schemes for employees of its principal UK subsidiaries, which have been closed since 2014. The post-employment benefit obligations related to these schemes, as calculated in accordance with accounting standards, moved from a £6.3m liability at 31st March to 2017 to an asset of £19.4m at 31st March 2018. This reflected contributions of £14.0m made by the Group during the year as well as a positive return of £4.4m on the schemes' assets. Changes in the demographic and discount rate assumptions reduced the present value of the schemes' liabilities by £9.2m.

While this surplus position reflects the required accounting treatment for the post-employment benefit obligations, on an actuarial basis, the defined benefit schemes are in deficit. At the 31st March 2018, the deficit was valued at £91.7m. As such, the Group is committed to making annual deficit reduction payments of £14.0m until 2026.

Derivatives and financial instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange and interest rates. The fair value of these instruments at 31st March 2018 is included in the Statement of Financial Position.

Assets of £26.8m (2017: £44.9m) related primarily to cross currency swaps. These are used to hedge the value of our private placement debt which is denominated in US dollars. At the prevailing year end rate, the value of the asset reduced relative to the prior year, in line with the reduction in the value of the debt included in our borrowings position.

Liabilities of £4.6m (2017: £26.9m) principally reflect the fair value of forward foreign exchange contracts held at the 31st March 2018. The liability reduced from the prior year in line with the movement in the year end exchange rates on our key trading currencies which we hedge on a rolling 24-month basis.

Share capital and dividends

Dividends for the year amounted to 40.2p compared with 38.1p in respect of last year.

A first interim dividend of 12.0p (2017: 11.8p) per share was paid on 10 November 2017. The directors proposed a further interim dividend of 28.9p (2017: 28.2p) per share which will be paid on 13 July 2018.

Summary

The Group has enjoyed another year of strong growth and has further strengthened its financial position in an increasingly competitive marketplace and in the face of on-going economic and geopolitical uncertainty.

We have confidence in our premium brand portfolio to deliver further growth over the long term and continue to increase investment in our brand building capability and infrastructure to support that ambition.

Principal Risk and Uncertainties

The responsibility for risk management and internal control systems resides with the board, with a framework to support the process for identifying, evaluating and managing financial and non-financial risks. The Audit Committee is responsible for the direct oversight of the Group Risk Management Committee and the internal control function.

Edrington's risk management processes minimise its exposure to unforeseen events and identified risks, allowing the business to focus on delivering its strategic objectives.

The board carried out a triennial strategic risk review in March 2018 to help update the principal risks facing the Company including those that would impact its business model, future performance and solvency. These reviews allow the board to assess the Company's risk appetite and ensure that the nature and extent of the significant risks facing the business are identified and adequately managed. In line with best practice, the assessment includes a review of the impact and likelihood of each risk, together with the controls in place to mitigate the risk.

Risk categories are predominantly macroeconomic or operational in nature. Macroeconomic risks relate to the external environment and the international markets in which Edrington operates, over which the Company has less control. Operational risks include issues such as product quality, supply chain, or failure in business technology. The environment in which Edrington operates is becoming increasingly volatile and constantly evolving, so the Company will remain vigilant to be sure that new risks are identified and assessed timeously, and that appropriate actions are taken to mitigate the impact of these risks on the business.

During the year the Audit Committee reviewed reports received from the internal audit teams. These have allowed the committee to assess the general control environment, identify control weaknesses and quantify associated risks. Moving forward greater emphasis will be placed on reviewing status of actions taken to mitigate these risks.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only therefore provide reasonable assurance against material misstatement or loss.

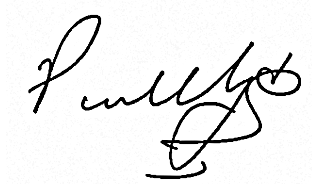
The following represent what the board believes to be the most important risks and uncertainties that may impact the Company's ability to deliver its strategy effectively.

Identified Risk	Impact	Mitigating Actions
Adverse political and social attitudes to alcohol	Damage to the reputation of Edrington or its brands. Impact on market access or the ability to promote its brands.	Edrington supports a responsible approach to alcohol and considers this a core element of its strategy to grow a sustainable, long-term business. The Company operates a CSR strategy that includes a Code of Conduct and a global Marketing Code reinforced by a global online training programme. Edrington's policies and campaigns are reviewed annually by theMarketing Code Committee. Edrington is a member of national and international organisations that work to encourage the responsible promotion and consumption of alcohol and reduce alcohol-related harms.
Geopolitical and Economic Conditions	Economic or political instability restrict market activity, affecting market access, demand or increased costs.	Brexit and geopolitical instability in a number of regions and markets continues to present a risk to trade and profitability. We are monitoring all developments closely but future trading relationships with the EU etc. are ultimately matters that are outwith our control. Edrington's diverse geographic spread reduces the exposure to specific market risks. Direct ownership of the Company's route to market in its major markets provides local insight combined with a robust central overview. This enables the Company to react quickly and flexibly to such changes.
Consumer Preferences	A change in consumer preferences for one or more of Edrington's brands in one or more key markets where a decline in brand popularity and/or market contraction would result in a reduced share of market.	The board closely monitors financial and operational key performance indicators which include a review of brand performance and equity strength across market segments and geographies. Edrington conducts an annual market and brands strategic planning process building on local market and brand strategy reviews. The board has also recognised the differing contribution and strengths of each of its principal brands globally and regionally and has strategically focused management across its luxury, Super Premium and Regional Power Brands, which have different needs and focuses.
Brand Protection	Ineffective or inadequate protection of intellectual property rights, resulting in reputational damage, an increase in counterfeit goods and a drop in sales volumes and/or market share.	The Company invests considerable effort in proactively protecting its intellectual property rights. Edrington has a clear brand protection strategy and processes aimed at addressing the principal exposures and risks likely to affect alcoholic beverage brands. A specialist Brand Protection Committee reviews the principal components of brand protection: intellectual property management; authentication and security technologies for products and packaging; digital media, channel and communications monitoring; products and packaging compliance; commercial behaviours, alongside brand security education, surveillance and enforcement.

Identified Risk	Impact	Mitigating Actions
Regulatory Compliance	Failure to comply with local laws and regulations, resulting in regulatory sanction, reputational damage and/or financial loss.	Edrington has a management process to ensure that employees are aware of their responsibilities and all applicable regulatory requirements. Formal training sessions are undertaken throughout the year. Edrington proactively reviews its principal regulatory compliance obligations and controls, including, but not limited to, the new data protection regulations, competition laws, liquor laws, environmental laws, compliance with EU and UN trade and political sanctions, and local statutory laws (e.g. health & safety). These activities are underpinned by a Code of Conduct, a Global Anti Corruption Policy, and a Speaking-Up Policy which apply to all its employees, agents, distributors, contractors and suppliers. Contractual arrangements with key third parties must include provisions to establish required performance standards aligned with the Code. Induction procedures include evidenced completion of a standard on-line training course and assessment which covers the Code and its supporting policies. The course, which is translated into all the main languages spoken across the Company, is also periodically refreshed and retaken at all locations.
Financial Risks	Exposure to market risk (including medium term movements in exchange rates, interest rates risk and commodity price risk), credit risk and liquidity risk, may adversely impact on profits.	Financial risks are reviewed and managed by the Treasury Committee whose remit and authority levels are set by the board. The Treasury Committee's remit is to ensure compliance with the terms of borrowing facilities and to minimise financial risk arising from exposure to fluctuations in interest rates, foreign exchange rates and cash flow. Comprehensive policies are applied covering debt management, interest rate hedging, foreign exchange currency hedging and cash flow reporting. Approved financial instruments and authority levels are articulated through the policies with compliance monitored on a regular basis. The Treasury Committee reviews cash flow forecasts throughout the year and assesses headroom against banking covenants regularly. The Finance team utilises external tools to assess credit limits offered to customers, manages trade receivable balances vigilantly and takes prompt action on overdue accounts. Certain markets operate on a cash-on-delivery basis. Commodity price risk is managed through a combination of medium to long term contracts, covering periods from 2-3 years, and regular tender and review processes with suppliers. Edrington's financial control environment is subject to review by both internal and external audit. The focus of internal audit is to proactively work with and challenge the business to ensure an appropriate control environment is maintained.

Identified Risk	Impact	Mitigating Actions
Cyber	Theft, failure or corruption of digital assets and/or key systems could have an adverse impact on the business and profits.	Led by our business technology function, the business has carried out a business wide information risk management review, enhanced by its cyber incident response plan, and implemented a user awareness training and education programme. Edrington has also increased system patching, updates and monitoring, carried out penetration testing, performed a SAP System User Role Review to eliminate excessive access and segmented the network to protect mission-critical networks from general access networks.
Major Operational Failure	Major supply chain failure affecting supply of raw materials or equipment, loss of maturing inventory or the customer orders process.	Assets managed by the business include intangible brand assets, plant and equipment, people and business technology. Disaster recovery, incident management plans and contingency measures are in place and tested regularly. Edrington's wood and cask supply is reviewed and long-term agreements and processes established to provide reasonable assurances of a sufficient and sustainable supply of casks that meet Edrington's high quality requirements. Contingency bottling/blending options are refreshed and tested to ensure that Edrington's operations can be maintained in event of loss or impairment of its own facilities. Energy and water supplies are reviewed to ensure continuity, sufficiency and quality of supply. A contract to supply renewable energy to The Macallan distillery over the long-term, contributes to fossil fuel reduction targets.

Approved and signed on behalf of the board



Paul A Hyde
Chief Financial Officer

15 June 2018