



Laurent Meffre
Managing Director

Management Discussion & Analysis

Economic Overview

For the economy of Trinidad and Tobago, 2020 yielded a fiscal deficit of TT\$16.7b (11% of GDP) as compared to the initial TT\$5.3b estimate in October 2019. This was driven by a combination of declining energy prices and exports, increasing unemployment and related government expenditure due to lockdown measures related to the COVID-19 pandemic.

The current fiscal budget presented in October 2020 projects a more realistic, albeit optimistic deficit of TT\$8.6b (5.6% of GDP) for the upcoming 2021. The International Monetary Fund (IMF) projected a 2020 Real Gross Domestic Product (GDP) contraction of 5.6% and a projected increase of same to 2.6% in 2021.

A key change in the 2020/21 budget was an Excise duty increase of 20%. This increase places additional affordability challenges on the consumer and, by extension, the Company's ability to maintain and grow volumes in the domestic market.

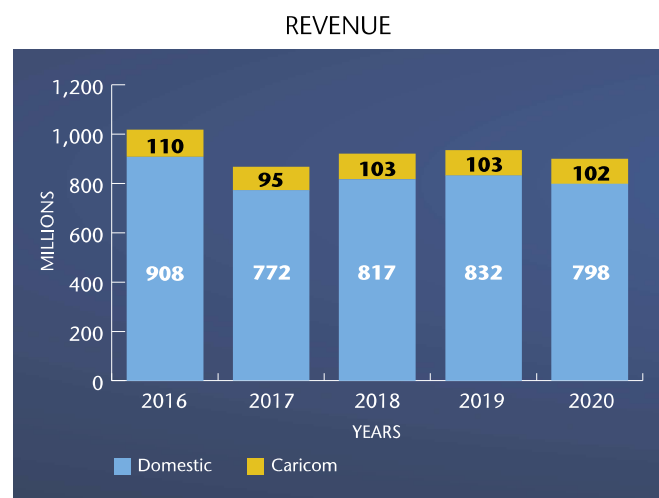
Nevertheless, West Indian Tobacco continues to strategise in a manner that drives sustainability while seeking avenues to capitalise on any opportunity for growth. The 2021 outlook seems to present continued macroeconomic challenges, worsened by the COVID-19 pandemic. We believe, however, that our strategies for continued innovation in our portfolio, with emphasis on improving our value proposition offerings, will ensure the Company is well-positioned to meet its 2021's challenges.

Performance and Strategy

Even in the face of the challenges posed by 2020, the Company remained committed to maintaining the focus on its key strategic imperatives – delivering a robust and dynamic portfolio grounded in innovation, maximising shareholder return and ensuring optimum productivity and efficiency throughout our operations. All driven by a winning organisational culture and a winning employee mindset focused on achieving positive and profitable Company results. We continue to assess our social, environmental and economic impact to ensure we remain a responsible corporate business partner, able to meet and exceed the expectations of our external stakeholders.

Revenues

Revenue for 2020 decreased by 3.8% or \$35.4 million under the same period last year. This decrease is attributable to a reduction in the Company's Share of Sales in the domestic market.



The reduced revenue was driven primarily by the economic downturn coupled with the impact of COVID-19 measures as distribution of products in the domestic market was disrupted by the “stay at home” measures and the closure of entertainment channels. These factors have created a shift in consumer spending patterns supported by the growing list of suspected illicit trade and low-price offerings in the domestic market.

Cost of Sales and Overheads

Cost of Sales increased from \$207.0 million to \$211.0 million, an increase of 1.9% or \$4.0 million against prior year. The increase is directly attributable to higher facilities costs associated with COVID-19 initiatives along with increased direct material costs. Included in Cost of Sales is royalties, which are calculated and paid on net turnover.

Overheads for the current year declined by 17.4% or \$21.4 million against the same period last year, moving from \$123.1 million to \$101.7 million. The reduction was due primarily to cost-saving initiatives along with prudent cost management and savings driven by lower technical and accounting fees for 2020. Interest income also declined by \$1.8 million due to lower interest rates offered on US\$ investments.

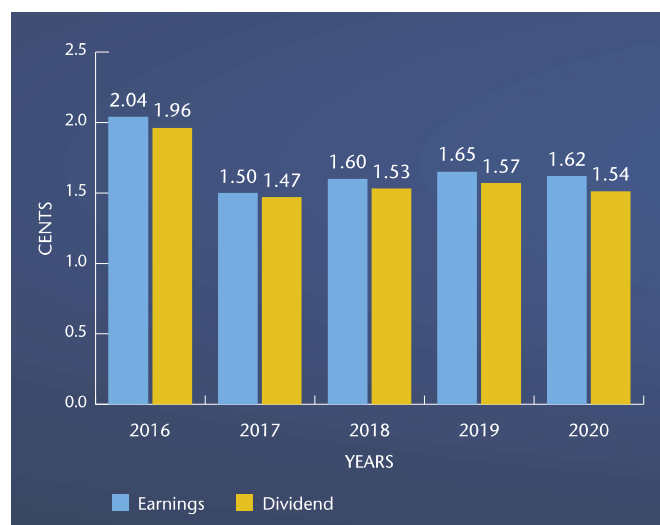
Profit and Total Comprehensive Income

Profit Before Taxation of \$588.1 million shows a decrease of 3.2% versus \$607.8 million for 2019. Profit for the Year of \$410.0 million decreased in comparison to 2019 by 2.0% or \$8.2 million.

This year's performance reflects the many challenges faced in growing revenue in the difficult economic environment. Regardless of the decline in revenue, cost-savings initiatives were maximised with zero-based budget activation driving efficiencies at all levels of the organisation.

Total Comprehensive Income for the Year of \$419.6 million decreased from prior year by 1.7% or \$7.2 million which was positively impacted from an actuarial gain of \$9.6 million following the remeasurement of retirement and post-employment benefit obligations. Earnings per share is \$1.62 versus \$1.65 for prior year, a decrease of 1.8% over prior year. Dividends per Share for 2020 will be \$1.54 based on the financial results, once the Final Dividend is approved at the Annual Meeting.

EARNINGS/DIVIDEND PER ORDINARY SHARE



Note:

As a result of the 3:1 stock split which was effective November 28, 2019, the earnings and dividend per share for previous years has been restated for comparison purposes.

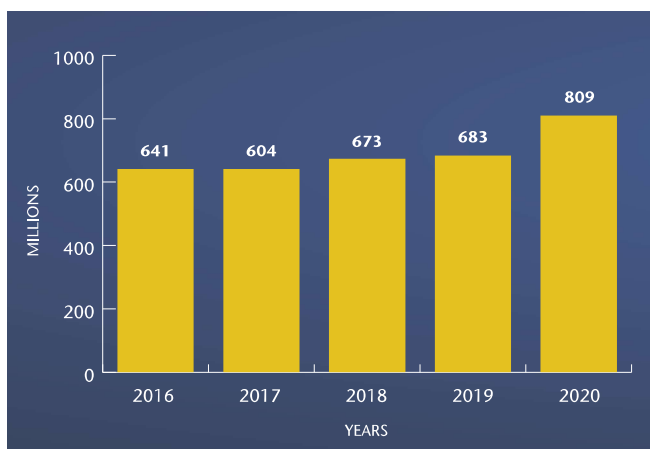
Cash Flows

Cash and Cash Equivalents increased by \$147.9 million by the end of 2020 to \$447.9 million, compared to prior year of \$300.0 million. Net Cash Generated from Operating Activities increased by \$31.9 million, as higher operating profit was offset by the increase in working capital changes. Dividend payout remained the single largest cash outflow for 2020, totalling \$291.5 million.

Balance Sheet

Total Assets increased by \$125.4 million to \$808.8 million at the end of December 2020 due to an increase in Current Assets impacted by an increase in Cash and Cash Equivalents from \$300.0 million to \$447.9 million. The net assets per share were \$2.28 as at the end of the financial year, compared to \$1.79 in 2019.

TOTAL ASSETS



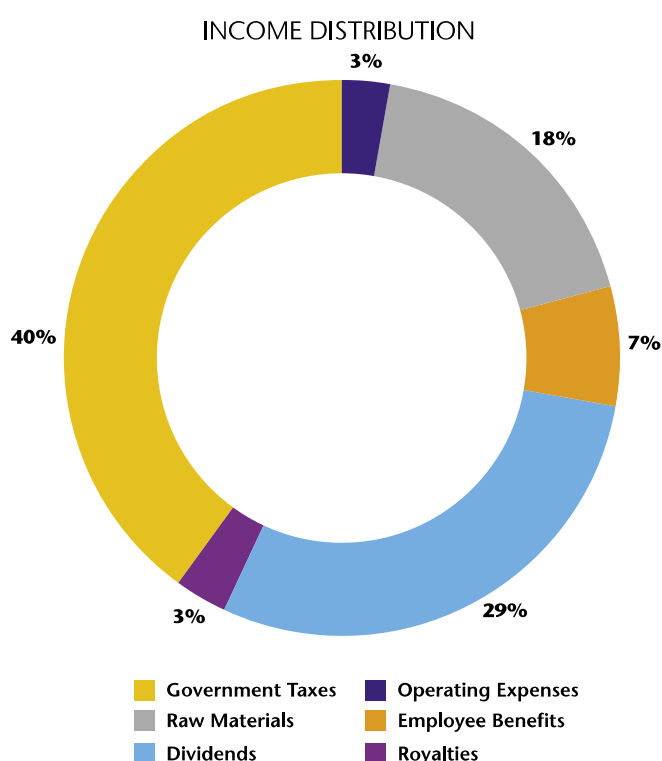
Transactions with Affiliates

The Company is a subsidiary of British American Tobacco (Investments) Limited which holds 50.13% of the Issued Share Capital and whose ultimate parent company is British American

Tobacco p.l.c., a company registered in the United Kingdom.

The Company has several transactions and relationships with related parties as defined by IAS 24 Related Party Disclosures, all of which are undertaken in the normal course of business.

These transactions include the sale and purchase of manufactured cigarettes and raw materials and charges for Royalties, Services and Fees.



ACCOUNTING POLICIES

The Company's principal accounting policies conform to International Financial Reporting Standards (IFRS). Developments related to these standards are actively monitored and all significant accounting policies are disclosed under Note 2 of the Notes to the Audited Financial Statements.

GROWTH

Consolidation and containment were the primary objectives in preserving the performance of our core brand portfolio in 2020. Even with many obstacles occurring due to the pandemic, the Company was able to enjoy a few bright spots during the year.

Broadway emerged as the most resilient brand in 2020 despite all challenges related to the COVID-19 lockdown, the resulting economic fallout and a 20% Excise increase in October. The brand recorded significant growth of 10% vs. the previous year and to date, much of its positive performance remains driven by its strong brand heritage commensurate with its consistent value for money perception.

Mt. d'or continues to be the market leader in the low-priced segment. The brand's performance continues to be driven by the equity built during the start of its migration to Rothmans and additionally, through innovative and aggressive tactical programmes targeting low-priced competition strongholds in the local market. In December, Mt. d'or embarked on the second phase of its transition to the Rothmans brand with yet another pack upgrade, which was well-received and accepted by customers and consumers. Despite the challenges faced in 2020, Mt. d'or has grown at an impressive compounded annual growth rate over the last five years of 25%. As Rothmans, the brand is expected to continue being a key strategic growth driver for the portfolio in the immediate future.

Before the start of the pandemic in Q1, the team was able to successfully relaunch the Dunhill Core brand portfolio under the Brand Code Visual Identity. The new look was well received across the trade and by core consumers.

Dunhill continues to be the standard-bearer for innovation for the local portfolio and further plans are in place for the brand family as we march forward into 2021. The restrictions in place for entertainment channels slowed the momentum for the brand in 2020, but as these restrictions are lifted, we expect the pace of volume and market share growth for the brand to resume. Additionally, in 2020 the team was successful in growing the overall numeric distribution for Dunhill Double Capsule by over 20%, which remains the market leader for the full capsule segment in Trinidad and Tobago.

Although the market faced declining economic conditions and the restrictions imposed to control the spread of the coronavirus, du Maurier continued to be the flagship brand for the Company. However, as our market conditions and consumer demands evolve, so too must the brand in order to remain contemporary. The team undertook extensive research in 2020 that will ultimately lead to the repositioning and rejuvenation of the

du Maurier brand. 2021 will present a very exciting prospect for loyal consumers with the plans that will be executed.

The resilience, depth and dexterity of our distribution footprint and route to market capabilities served as a tremendous asset in navigating the challenges of 2020. Along with our Trade Marketing team, our distributors were very successful in pivoting their businesses to be able to continue supplying the market. Initiatives such as pre-sales, telesales, depot collections, as well as flexible operational procedures were instrumental in ensuring the availability of our brands. However, many of these initiatives would not have been possible without the support of our customers, who were also able to adapt their business model during difficult times to ensure priority for our WITCO brands. This is a testament to the strength of strong customer relationships and the fortitude of our distribution and route to market model.



Note:

As a result of the 3:1 stock split which was effective November 28, 2019, the share price for previous years has been restated for comparison purposes.

Finally, it can never be overstated that all our achievements in 2020 to adapt and survive could not have been accomplished without strong leadership, strong teams and, ultimately, strong people. The mutual respect and winning desire of both our distributor sales teams and the WITCO trade teams can only be described as the reason behind our tenacity to overcome a historically unprecedented year.

PRODUCTIVITY

In 2020, we saw a positive result transformation in almost all of Operations' key performance measures despite the COVID-19 pandemic challenges, as well as tough economic and social circumstances in the country and the world in general. The factory achieved drastic and sustainable improvements in many areas, particularly in Overall Equipment Efficiency (OEE), where we had 14% improvement vs 2019, ending 2020 at 50.1% efficiency, which is the highest the factory has ever achieved.

The Operations unit continued using Integrated Work Systems (IWS) tools as a major enabler for the improvement journey and our IWS Pillars will help solidify the needed capabilities across Operations' functions in 2021. The pillars are designed to build capability within the organisation through defined work processes and tools, as well as reduce the top financial losses identified. The systems have been designed to drive a learning environment and leverage 100% employee ownership in achieving the vision and objectives of the organisation.

As part of our 2021 strategy, we have created a five-year masterplan that will sustain the improvement in our results as well as be the engine for growth for the business.

SUSTAINABILITY

2020 will be remembered as a year like no other in history. It is the year when the world was humbled in ways never anticipated. If ever there was a test to our sustainability, it was the year 2020. In retrospect, we persevered and succeeded. We transformed our vision of the future with agility while displaying a steadfast commitment to our corporate values and the health and safety of our employees. It is a year where we rebranded, revised our tag line to A Better Tomorrow™ and introduced our Ethos – Bold, Fast, Empowered, Diverse, Responsible.

We continued to support Corporate Social Investment projects which redound to the benefit of the community and country in which we operate. Our participation in national-facing events by stakeholder bodies such as the various Chambers of Commerce and Industry, and the Trinidad and Tobago Manufacturers Association contributed to the national conversation about recovery.

Sustainability demands that our current operations meet our present needs without compromising our ability to meet our future needs. As we focus on ensuring a continued sustainable business model, we will maintain the highest standards in all aspects of our business operations and continue to be a manufacturing company that operates with integrity. We continue to value our employees as a critical asset to our success, and settled our Collective Bargaining Negotiations in a timely manner. We continue to invest in technology and activities which recognise and harness the best results from employees' efforts.

We continue to deliver best-in-class products while always complying with the requirements



of the wider economic, social and political, and regulatory framework. Supported by our suppliers and distributors who understand and appreciate our “ways of work” and continue to support us on our journey, we remain committed to satisfying our customer’s needs.

WINNING ORGANISATION

We reflect with pride on the way our team at West Indian Tobacco was able to navigate the year that was 2020. With the changing working environment, spurred by the pandemic, we remain grateful to our teams for always rising to the challenge at hand. As an organisation, we appreciate the fact that our sound business model ensured that we were able to preserve jobs and employee benefits in full, despite the full shutdown of our operations.

The pandemic nonetheless offered us multiple new opportunities that we eagerly seized across the organisation. We rolled out a new and dynamic online learning platform, “The GRID”, that is a one-stop shop for all learning opportunities and playlist tools across the commercial organisation. This platform sits upon our 70-20-10 learning philosophy which encourages learning on the job and learning from others as the most significant way of developing relevant competencies. We also launched an online onboarding platform for all new hires to absorb the true essence of our business even while not on site. We actively demonstrated that working remotely has a sustainable position in our Company and that we can deliver incredible results from anywhere. We will continue to stretch our teams in innovative ways into 2021 and beyond.

To keep outperforming, we needed to be simpler, faster and stronger. Our company strategy and the external environment continue to move very quickly, and we needed to stay ahead. As part of this strategy, we launched the Leadermeter – an online tool that focuses on key analytics of managing talent, that we will use to develop employees into 2021. The elements assessed in the Leadermeter are also aligned to our enhanced Leadership Capabilities and Ethos, providing us with clarity on the right focus areas to accelerate and leverage during times of transformation.

Lastly, amidst the ever-changing local labour relations climate, which was amplified because of the pandemic, we are particularly proud of the way we proactively and regularly engaged with our recognised majority union. Our relationship with the Union was collaborative and remained business-focused. Jointly, we continue to align, supporting each other in our drive towards productivity and sustainability. In December 2020, we completed our negotiations for the period 2020-2022 and the process was one of the swiftest negotiation closures in the Company’s history. The new collective agreement ensures we adhere to the global standards in terms of our Environmental, Health and Safety standards and that our employee working conditions and benefits are competitive and comparable with best-in-class companies. Looking ahead, we will continue to build on the strength of our collective relationship to ensure the success of our factory and the long-standing commitment and leadership of the West Indian Tobacco team.



LOOKING AHEAD

The start of 2021 does not signal the end of the pandemic. In fact, it can be expected that many restrictions and protocols will remain in place for most of the year until there is a definitive resolution. Rest assured that the teams at West Indian Tobacco, and our distributors, remain immensely dedicated and have already established new ways of working to deliver 100% of our key performance indicators to ensure a positive return for our stakeholders.

The heart of our strategy for 2021 will continue to focus on the delivery of on-time portfolio transformation through innovation, focusing on recapturing lost market share in the low-priced segment and engagement with all key external stakeholders to ensure the sustainability of the Company.

Market trends and consumer preferences have significantly changed within the overall tobacco

industry in the last year, and our team is eager to continue gathering key learnings that will further influence our way or work to ensure the Company has the optimal business model to satisfy the needs of our local customers and consumers.

Our commitment to our stakeholders for 2021 remains to ensure a greater and expanded innovation pipeline adequate to protect the business from competition; a sharpening of our overall business model to become more agile in the market and robust training and development programmes to develop our teams. The Company is focused on recovering quickly in 2021 to resume its focus on growing shareholder value.



LAURENT MEFFRE
Managing Director