

The annual report of the Board of Directors to which the financial statements are attached For the FY 2022/2023

(Prepared in accordance with the provisions of Article 40 of the Registration Rules)

The company is committed to preparing the report of its Board of Directors for presentation to the General Assembly with the data contained in Appendix No)1(Attached are the executive regulations of Law No. 159 of 1981, in addition to what is stated in the following form

<u>Company name</u>	“Eastern Company” established in accordance with the provisions of Egyptian law
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<u>Company purpose</u>	<ul style="list-style-type: none">- Manufacture and trade of cigarettes, their products, modern alternatives to smoking and their accessories.- Practicing any investment, financial, commercial, industrial, agricultural or service activity (Except for what is related to the provisions of the capital market in accordance with the provisions of Article 277 of Law 95 of 1992, with the company’s commitment to adjusting its conditions in accordance with the provisions of Law 120 of 1982).- Owning and constructing real estate and purchasing and dividing lands for the purposes of exploitation, leasing or selling.- Import, export and commercial agencies.- Establishing, participating in establishing, purchasing, or contributing to companies that practice any of the company’s objectives inside or outside the Arab Republic of Egypt, or may cooperate in achieving or developing any of its objectives. <p>This is without prejudice to the provisions of applicable laws, regulations and decisions, and on the condition that the necessary licenses are obtained to practice these activities.</p> <p>The company may participate in any way with companies and others that practice businesses similar to its business or that may help it achieve its purpose in Egypt or abroad. It may also merge with, purchase, or annex to them in accordance with the provisions of the law.</p>
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The specified term of the company	Fifty years starting from 06/02/2019 Until 01/06/2069	Date of listing on the stock exchange	9/27/1995
The law to which the company is subject	No. 159 of 1981	The nominal value of the stock	One pound
The last authorized capital	Three billion pounds	Latest issued capital	Two billion two hundredThirtyone million pound
Last paid-up capital	Two billion two hundred Thirty million pound	Number and date of registration in the commercial register	Registration number: 6069 dated 07/22/2019

*** It was completed Transition from Law 203 of the year1992 to Law No. 159 of 1981.**

Investor relations:

<u>Responsible personnel</u>	Muhammad Abdel Rahman Ahmed		
<u>Address of the main center</u>	Sixth Industrial Zone–Al-Wahat Road–October 6 City *		
<u>Telephone numbers</u>	01222208693	<u>numbersaTo fax</u>	35687434
<u>Site</u>	www.easternegypt.com		
<u>Mail</u>	m.abdallah@easternegypt.com		

Auditor :

<u>Name of the auditor</u>	Mustafa Shawky's office (MAZARS) Ahmed Mustafa Shawky	Central Auditing Organization
<u>Date of hiring</u>	2/6/2019	Since the nationalization of the company
<u>Authority registration</u>	4200	_____
<u>Date of registration with</u>	10/1/1980	_____

* In light of the decision of the Board of Directors of Eastern Company on 5/27/2019 to approve the contract with an external auditor to carry out audit work for the company alongside the Central Auditing Organization, the General Assembly decided on 6/2/2019 to appoint the office of Mostafa Shawky ((MAZARS as external auditor of the company's accounts alongside the Central Auditing Organization.

Capital structure & ownership percentages:

Name	Position at the date of the financial statements	
	Number of Shares	Its ratio
Holding Company for Chemical Industries	1,136,250,000	50.95%
Investment fund ALLAN GRAY	160,783,227	7.21%
Shareholder Workers Union	116,035,692	5.20%
Total	1,413,068,919	63.37%

Ownership of board members In the company's shares	Number of shares at the date of the financial statements	The ratio %
Holding Company for Chemical Industries	1,136,250,000	50.9529%
Workers Union	116,035,692	5.2034%
Mr. Hany Aman Hussein Attia	70,000	0.0031%
Mr. Mohamed Gamal Muharram	13,500	0.0006%
Total ownership of board members	1252369192	56.1600%

The latest composition of the company's Board of Directors:

name	Representation	Number of shares owned		Adjective
		For a legal person	For a natural person	
Holding Company for Chemical Industries Mr. Ahmed Saad Al-Laithi Nassef	The holding company For chemical industries	1,136,250,000	70,000	Non- executive
Holding Company for Chemical Industries Mr. Hani Aman Hussein Attia	The holding company For chemical industries			executive
Holding Company for Chemical Industries Mr. Sameh Ahmed Sayed Khudair	The holding company For chemical industries			Non-executive
Holding Company for Chemical Industries Ms. Hebat Allah Ihab Mohamed	The holding company For chemical industries			Non- executive
Holding Company for Chemical Industries Dr. Muhammad Ghazi Saber Ibrahim	The holding company For chemical industries			Non- executive
Mr. Mohamed Gamal Muharram Mahmoud	A representative of private sector shareholders			976634508
Mr. Hassan Mahmoud Ali Khalil	Union of Shareholders of the Eastern Company "Eastern Company".	116,035,692		executive

Changes in the company's board of directors:

current statement (6/30/2023)		The previous statement (30/6/2022)	
Name of board member	Function	Name of board member	Function
Engineer/ Tamer Abdel Aziz Jadallah	The Chairman of the Board of Directors elected/independent	Engineer/ Tamer Abdel Aziz Jadallah	The Chairman of the Board of Directors elected/independent
Holding Company for Chemical Industries Accountant/ Hani Aman Hussein Attia	Managing Director CEO Executive Representative of the holding company	Holding Company for Chemical Industries Accountant/ Hani Aman Hussein Attia	Managing Director CEO Executive Representative of the holding company
Holding Company for Chemical Industries Mr. Ahmed Saad Al-Laithi Nassef	Member of the Board of Directors Representative of the holding company	Holding Company for Chemical Industries the professor/Ahmed Saad Al-Laithi Nassef	Member of the Board of Directors Representative of the holding company
Holding Company for Chemical Industries Mr. Sameh Ahmed Sayed Khudair	Member of the Board of Directors Representative of the holding company	Holding Company for Chemical Industries Mr. Sameh Ahmed Sayed Khudair	Member of the Board of Directors Representative of the holding company
Holding Company for Chemical Industries Mrs. Hebat Allah Ihab Muhammad Abu Rabia	Member of the Board of Directors Representative of the holding company	Holding Company for Chemical Industries Mrs. Hebat Allah Ihab Muhammad Abu Rabia	Member of the Board of Directors Representative of the holding company
Holding Company for Chemical Industries Dr. Muhammad Ghazi Saber Ibrahim	Member of the Board of Directors Representative of the holding company	Mr. Accountant/Mohamed Gamal Mahmoud Muharram	Member of the Board of Directors Elected
Mr. Accountant/Mohamed Gamal Mahmoud Muharram	Member of the Board of Directors Elected	Mr. Engineer Nasr Abdel Aziz (Representing the Union of Employees Shareholders of Eastern	Member of the Board of Directors Elected/dedicated to technical affairs
Mr. Hassan Mahmoud Ali Khalil (Representing the Union of Employees Shareholders of the Eastern Company)	Member of the Board of Directors executive	Mr. Hussein Saad Zaghoul	Member of the Board of Directors Elected
Mr. Islam Mohamed Salem	Member of the Board of Directors independent	Mr. Mohamed Samir Abdel Razek	Member of the Board of Directors Elected/independent

(Number of times Board of Directors meetings are held during the year)

Session number	Date of meeting	Place	Date of meeting	Attendance rate	Names of apologists
21 by scrolling	6/7/2022	--	--	100%	nothing
22	7/27/2022	Giza	2pm	100%	nothing
23 by scrolling	7/30/2022	--	--	100%	nothing
24	8/17/2022	Giza	3pm	90%	Mr. Hebat Allah Ihab
25	8/31/2022	Giza	3pm	100%	nothing
26 by scrolling	9/3/2022	--	--	100%	nothing
27	9/20/2022	Giza	3pm	100%	nothing
28	10/13/2022	Giza	1pm	100%	nothing
29 by scrolling	10/20/2022	--	--	100%	nothing
30	10/24/2022	Sports Club	6pm	100%	nothing
31 by scrolling	10/25/2022	--	--	100%	nothing
32	2/11/2022	Giza	1pm	100%	nothing
33 by scrolling	11/10/2022	--	--	100%	nothing
34	11/13/2022	--	--	100%	nothing
35	11/30/2022	Giza	2pm	100%	nothing
36	12/15/2022	Giza	2pm	100%	nothing
37	12/15/2022	Giza	1pm	80%	Mrs. Hebat Allah Ihab Mr. Islam Al-Sayyed Mohamed
1 by scrolling	1/19/2023	--	--	100%	nothing
2	1/30/2023	Giza	3pm	100%	nothing
3	8/2/2023	Giza	1pm	100%	nothing
4 by scrolling	2/15/2023	-	-	100%	nothing
5	2/20/2023	Giza	5pm	90%	Mr. Mohamed Gamal
6 by scrolling	3/14/2023	--	--	100%	nothing
7 by scrolling	3/23/2023	-	-	100%	nothing
8	3/29/2023	Giza	1 pm	90%	Mr. Mohamed Gamal
9 by scrolling	6/4/2023	--	--	100%	nothing
10	4/19/2023	Giza	8pm	100%	nothing
11 by scrolling	3/5/2023	--	--	100%	nothing
12	5/31/2023	Giza	2pm	100%	nothing
13	6/21/2023	Giza	2pm	100%	nothing

Review Committee And governance:

The latest formation of the audit committee and governance:

President	Chairman of the Board of Directors	Mr. /Tamer Abdel Aziz Jadallah
	/ Independent	
Members	Experienced	Mr. /Mohamed Ali
	Experienced	Mr. Ahmed Mukhtar
	Elected board member	Mr. Mohamed Gamal Muharram
	Board member	Mr. /Islam Muhammad Salem
	Executive Director of	Mr. /Tamer Mosly
	Affairs Finance	
Technical	Head of Secretariat	Mr. Khaled Niazi Mahmoud
Secretariat		

The committee's tasks assigned to it:

- **Examining and reviewing the company's internal control procedures and the extent of compliance with them.**
- **Studying the accounting policies followed by the company and the changes resulting from the application of new accounting standards.**
- **Examining and reviewing internal audit mechanisms and tools, procedures, plans and results, studying internal audit reports and following up on the implementation of its recommendations.**
- **Examine the procedures followed in preparing and reviewing the following:**
 - **Periodic and annual financial statements.**
 - **Prospectuses and public and private offerings of securities.**
 - **Estimated budgets, including estimated cash flow and income statements.**
 - **Examining the draft interim financial statements before presenting them to the Board of Directors in preparation for sending them to the auditor.**
 - **Ensure that a report is submitted to the Board of Directors by an unrelated specialist expert on the nature of the operations and deals concluded with related**

parties and the extent to which they violate or harm the interests of the company or its shareholders.

- Verifying the company's management's response to the recommendations of the auditor and the authority.
- The committee submits at least quarterly reports directly to the company's board of directors.
- The company's board of directors assigns the audit committee to carry out any work it deems in the interest of the company.

Committee work during the year:

Number of times the audit committee meets	9time
Have the committee's reports been presented to the company's board of directors?	Yes
Did the committee's reports include essential observations that must be addressed?	nothing
Has the Board of Directors addressed the essential comments?	nothing

Company employee data:

The average number of employees in the company during the year	8921 worker
The average worker's income during the year	EGP 263196

The reward and motivation system for the company's employees and managers (if any):

The total shares available according to the reward and incentive system for workers and managers	nothing
The total number of bonus and incentive shares granted to employees and managers during the year	nothing
Number of beneficiaries of the reward and motivation system for workers and managers	nothing
The total amount of reward and incentive shares granted to workers and managers since the system was implemented	nothing
Names and attributes of everyone who scored 5% Or more than the total available shares Or (1% of the company's capital) according to the system	nothing

Violations and procedures related to the capital market law and listing rules:

- nothing

Contribution During the year, developed the community (internal and external) and preserved the environment:

First: Its responsibility towards the environment: -

As part of Eastern Company's ongoing efforts to achieve the goals of protecting the environment and preserving public health, and as a commitment from the company to implement the environmental requirements of the Environmental Law No. (4) 94, its amendments and its executive regulations, through the implementation of the internal environment preservation system. With its factories and the external surroundings, in a way that achieves sustainability consistent with its environmental conditions, it is represented in several projects described in detail in Exhibit No.47/3) of the clarifications supplementing the financial statements, which are considered an integral part of them and are read along with them.

Second: Its responsibility towards employees:

- Believing in the importance of the company's human resource ,It has provided protection for its employees by covering the risks of personal accidents to which employees are exposed 24 hours a day (whether during work hours or holidays inside or outside the company). Benefit from this coverage from the beginning of the policy issuance on 12/1/2012 until the 30/6/2020 number (221) of the company's employees, and the compensation paid to them amounted to about 7.103 million pound.
- A contract was concluded on March 1, 2020 with Allianz, and the policy is broader and more comprehensive, as workers benefited from it with the addition of natural death. A number of (64) employees of the company benefited from this coverage, and the compensation that was disbursed to them amounted to 9 million pounds until the date of the expiry of the policy. On March 15, 2021.
- Eastern Company added new coverage by concluding a contract On March 1, 2021with insurance company The first policy includes natural death with Misr Life Insurance Company, and the second policy includes personal accidents with Misr Insurance Company. (61) of the company's employees benefited from this coverage, and the compensation that was disbursed to them amounted to about 8 million pounds until the policy expired on March 15. 2022, and the contract on the two documents was renewed, as a number (32) of the company's employees benefited from this coverage, and the compensation that was disbursed to them amounted to about 4.250 million pounds until the expiration of the two documents on 3/15/2023, and the contract on the two documents was renewed to expire on March 15, 2024. .

The value of the in-kind benefits and services provided to workers reached this year 432.752 million pounds VS 437.776 million pounds for the previous year with a decrease in value 5.024 million pounds the rate of drop1.1%, As in the next table:

Values are in thousand pounds

The statement	2023/2022	2021/2022	the change	Change rate %
Drinks for employees	11574	12137	(563)	(4.6)
Treatment in clinics and medical	270805	274161	(3356)	(1.2)
Sports activities And social	11726	12833	(1107)	(8.6)
Religious services in the	627	698	(71)	(10.2)
Laundry and clothes unit	0	0	0	0
Employee transportation services	138020	137947	(73)	(0.1)
<u>Total</u>	432752	437776	(5024)	(1.1)

Third: Its responsibility towards society:

For the company's management to fulfill its social responsibilities towards society, which it considered a mandatory responsibility, it participated this year as a sponsor in many various scientific and cultural conferences and seminars, in addition to making many donations to institutions, civil society associations and hospitals. The company's management also performs its role towards the state by paying taxes and customs duties. And the state's share of profits within the legal deadlines. Below we review the most important conferences, seminars, donations, and what the Eastern Company has paid to the state in terms of taxes and customs duties this year, as follows:

1. Conferences, seminars and workshops in which Eastern participated During the current year 2022/2023:

- The Insurance Law and amendments to its executive regulations based on Prime Minister's Resolution No. 487 of 2022 and the executive regulations for the new unified labor law.
- Confronting the risks and threats of social networking sites , the human and social skills of the company's employees.
- Symposium on celebrating the Prophet's birthday and the October Victory Day.
- A workshop on obtaining a Schengen visa.
- Conference and workshop on legislation amending the Insurance Law and its executive regulations and their impact on the law.
- Online seminar in the field of human resources.

2. Donations: -

The company within 2022/2023 donated approximately (43.7) million pounds to many entities, institutions, NGOs, and hospitals, as follows:

- Donate to benefit For the Holding Company for Chemical Industries- Donation Favor association Orman.
- Donation Favor Sanaa Al Khair Development Foundation. - Donate to the Long Live Egypt Fund.
- Donate to the College of Dentistry–Cairo University . -Donate to the National Cancer Institute.
- Donate to Al-Joud Charitable Foundation–People's Hospital. - Donate to Al Matareya Teaching Hospital.
- Donate to the Nour Al Hayat Oasis Charitable Society. - Donate to the Support and Sanad Foundation for Development.
- Donating for the benefit of our children for the arts of people with special abilities. -Donate to the Egyptian Family Health Association.
- Donating to Al-Gomhouria General Hospital in Alexandria. - Donate to Fahim Foundation for Psychological Support.
- Donate to Children’s Cancer Hospital 57357 - Donate to the people of Egypt to treat accidents and burns.
- Donating to the Family Association for the Care of the Mentally Disabled
- Donating to Al-Safaa Association for People with Special Needs in Suez.
- Donate to the Baheya Foundation for early detection and treatment of breast cancer.
- Donate to the Mervat Sultan Foundation for Charitable Works.

Taxes and customs duties:-

The company plays its role in society by fulfilling its mandatory responsibility, as it pays its obligations to the state on legal dates, such as taxes, customs duties, and the state’s share of profits. The total amount owed to the government during the fiscal year has reached.759 billion pounds, which is Represent182.5 million pounds per day during available working days (300 working days).

From all of the above, the company’s management hopes to be classified as one of the advanced companies in the fields of environment, society, and application of governance rules.

The following are the most important financial indicators of the company's business results during the fiscal year 2022/2023 Compared to the previous fiscal year :

The statement	Unit	FY 2022/2023	FY 2021/2022	change	%
<u>1 - Production:-</u>					
* Total production volumes of cigarettes	billion cigarettes	64	88	-24	-27
<u>2 - Local sales: -</u>					
* Quantity of local sales of cigarettes	billion cigarettes	60	70	-10	-14
* Quantity of local sales of molasses smoke	A thousand tons	8	6	2	33
* Local sales value (including value added tax and health insurance fee)	million pounds	65039	65835	-796	-3
<u>3- Exports:-</u>					
* Quantity of cigarettes	million cigarettes	104	71	33	46
* Quantity of molasses	Ton	717	613	104	17
* Value of exports	million pounds	106	56	50	89
<u>4 – Toll manufacturing :-</u>					
* Quantity	billion cigarettes	5	19	-14	-74
* Value	million pounds	754	2047	-1293	-63
<u>5- Employment, wages and productivity:-</u>					
* Number of employees	worker	8706	9239	-533	-6
* Average number of employees	worker	8921	11035	-2114	-19
* Total wages	million pounds	2348	2574	-226	-9
* Average worker's wage	In pounds	263196	233272	29924	13
<u>6- Owners equity:-</u>	million pounds	16116	12433	3683	30
<u>- Net Revenues :-</u>	million pounds	17958	17139	819	5
<u>8- Gross sales including tax and fees: -</u>	million pounds	66006	68248	-2242	-3
<u>9- Net profit:-</u>	million pounds	7657	4030	3627	90
<u>10- To be paid to the government :-</u>	million pounds	54759	54280	479	1

Managing Director and CEO
Hany Aman Hussein Attia