



## General Information on Eastern Company S.A.E

### **I. The Company's name in Arabic and English**

الشركة الشرقية "إيسترن كومباني" ش.م.م. Eastern Company S.A.E.

### **II. Overview on the Company**

The Company has been established pursuant to a Sultanate decree dated 12/07/1920 in Alexandria and was then registered in Giza Commercial Registry Office on 31/03/1938 with a commercial registry number of 4884. The Company's current authorized capital amounts to EGP 3,000,000,000 (three billion Egyptian pounds) and its issued and fully paid capital amounts to EGP 2,250,000,000 (two billion two hundred and fifty million Egyptian pounds), distributed over 2,250,000,000 shares at a par value of one EGP per share. On 18/06/1995, the Company was listed on the EGX.

### **III. Legal Form**

A joint stock company affiliate of the Chemical Industries Holding Company pursuant to the Public Enterprise Law.

### **IV. Date of Commencement of the Company's Activities and its Term**

The Company started its activities on 12/07/1920 and its term has been extended and renewed on 13/03/1995 to become 50 years, starting from 27/12/1992 and ending on 26/12/2042.

### **V. The Head Office of the Company**

The Head Office is located at: 450 Al Ahram Street – Giza governorate

Telephone No.: 00235724711

Fax No.: 00235687434

Email: [eastern@easternegypt.com](mailto:eastern@easternegypt.com)

Website: [www.easternegypt.com](http://www.easternegypt.com)

### **VI. The Company's object according to the latest amendments to its Articles of Association**

The Company's object according to the last amendment made to Article (3) of its Articles of Association, published in the Egyptian Gazette on 10/10/1995 is as follows:

- Manufacturing and trading in tobacco, and its products and related and ancillary products.
- Carry out any investment, or financial, or trading, or agricultural or services activities.
- Own and construct buildings, purchase and divide land plots for the purpose of exploitation, leasing or sale.
- Export and import, commercial agencies, incorporate or participate in incorporating or purchase or participate in companies carrying out activities inside or outside Egypt, which may assist the Company in achieving or developing any of its objectives or purposes, after obtaining the Chemical Industries Holding Company's approval.

### **VII. Distribution of Profits according to the Company's Articles of Association and the Public Enterprise Law**

According to Article (47) of the Company's Articles of Association, the distribution of the Company's net profit are distributed on an annual on periodic basis after deducting all of the general expenses and other costs as follows:

- (a) The board of directors shall allocate from the net profit an amount equal to at least 1/20, to form the legal reserves. The Company's general assembly may decide to cease or decrease the percentage deducted when the legal reserves reach 50% of the Company's issued capital. The legal reserves may be used to cover losses or to increase the issued capital.
- (b) A maximum percentage of 20% (twenty percent) shall be deducted from the net profit to form additional statutory reserves to support the financial position of the Company and to achieve the best interest of the Company or the shareholders.
- (c) An amount shall be deducted from the remaining distributable profits amounting to 5% (five percent) of the paid up capital to be distributed to both the shareholders and the employees, provided that the employees' shares in the distributable profits shall not be less than 10% of the total distributed amount but not exceeding



their total annual basic salaries. Any excess in the amount distributed to employees shall be allocated in a special account to for the purposes of constructing employee housing projects and offer social services for them according to the Company's general shareholders meeting decision.

- (d) A percentage of 0.5% of the net profits before deducting tax shall be allocated to the sports activity according to the Youth and Sports Authorities Law No. 77 for 1975, as amended by Law No. 51 for the year 1978.
- (e) After satisfying the above, a percentage not exceeding 5% of the remaining profits to be determined by the general shareholders meeting shall be allocated to the Company's Board of Directors.
- (f) The general shareholders meeting may, upon the recommendation of the board of directors, approve allocation of an amount not exceeding 10% of the net profits, following allocation of the distributions referred to in paragraphs (a, b, c and d) above, to form reserves other than the legal reserves and the statutory reserves.

### **VIII. The Company's Board of Directors**

The Company's board of directors is constituted in accordance with Article (21) of the Public Enterprise Law as well as the Listing and De-Listing Rules issued by the EGX.

Below is a list of the Company's current board of directors according to the Company's Commercial Register dated 17/2/2019

#	Name	Nationality	Capacity	# of Shares owned by the Member	Rate of Participation	Start & Expiry Date of Membership
1.	Tamer Abdel Aziz ShehataGadallah	Egyptian	Chairman – Non Executive			Appointed on 24/10/2018 as non-executive chairman for one year.
2.	Hany Aman Hussein Atteya	Egyptian	Managing Director			Appointed on 24/10/2018 for one year.
3.	Nasr Abdel Aziz Abdel Rahman	Egyptian	Executive Member for Technical Affairs			Appointed on 24/10/2018 for one year.
4.	Sameh Ahmed Sayed Khodeir	Egyptian	Non-Executive Member			Appointed on 24/10/2018 for one year.
5.	Mohamed Gamal Moharam Mahmoud Moharam	Egyptian	Representing Private Sector Shareholders	13,500	0,0006%	Elected as a representative of the private sector shareholders on 9/12/2018 for 3 years.
6.	Ashraf Mahmoud Abdallah El Kady	Egyptian	Elected Member			Elected on 31/5/2018 for 3 years.
7.	Aly Sayed Aly Hegazy	Egyptian	Elected Member			Elected on 31/5/2018 for 3 years.
8.	Maged Mahmoud Abdel Aal	Egyptian	Elected Member	2160	0.000096%	Elected on 31/5/2018 for 3 years.



	Abdel Sayed					years.
9.	Raafat Ismail Youssef Sallam	Egyptian	Elected Member			Elected on 31/5/2018 for 3 years.

#### **IX. Financial Year of the Company**

Starts from 1<sup>st</sup> of July and ends on 30<sup>th</sup> of June of each calendar year according to the Articles of Association of the Company.

#### **X. Tax Status of the Company until 14/2/2019**

The below sets forth a succinct summary of the tax status of the Company as at 14/2/2019:

##### **(a) Income Tax**

###### **- Previous Tax Years (before 2014/2015)**

Tax differences related to the above-mentioned years have been settled.

###### **- Financial Year 2014/2015**

Examination by Tax Authority has been completed and tax differences related to these years have been settled.

###### **- Financial Year 2015/2016**

Currently under examination by the Tax Authority.

##### **(b) Salaries and Wages Tax (Earning Tax)**

###### **- From 01/01/2010 to 31/12/2012**

Examination by Tax Authority has been completed and tax differences related to these years have been settled.

###### **- From 2013 to 2015**

On 03/08/2017, the Company received assessment form No. 38 from the Tax Authority in the amount of EGP 209,294,586. The assessment has been challenged by the Company within the legally permissible challenge period and the Company requested re-examination of the file.

###### **- From 01/01/2016 to 31/12/2017**

Examination by Tax Authority for the above-mentioned period has not taken place to date.

##### **(c) Stamp Tax**

###### **- From 01/07/2010 to 30/06/2013**

Examination by Tax Authority has been completed and tax differences have been settled.

###### **- From 1/7/2013 to 30/06/2016**

Proportionate stamp tax has been assessed by the Tax Authority for the period from 01/07/2013 to 30/06/2016. The assessment has been challenged within the legally permissible challenge period and the Company requested re-examination of the file.

##### **(d) Real Estate Tax**

Claims received by the Company for the year 2019 have been fully settled.

##### **(e) Withholding Tax**

Withholding tax, if any is deducted and delivered directly to the Tax Authority.

##### **(f) Value Added Tax**

- Paid monthly according to Law No. 67 for the year 2016.

- Tax audit by Tax Authority has been completed until the financial year 2011/2012. The following financial years 2012/2013 and 2013/2014 have been examined, and the Company is awaiting the challenge committee decisions.

- Financial years 2014/2015 and 2015/2016 are currently under audit by the Tax Authority.



(g) Provisions for Tax Disputes:

Statement	Reserved Amount in EGP
Salaries and Wages Tax (earning tax) for the years 2013, 2014 & 2015	209,237,939.11
Stamp Tax for the period from 01/07/2013 to 30/06/2016	10,000,000
Value Added Tax	31747485.80
<b>TOTAL</b>	<b>250985424.91</b>

**XI. Employees**

- In addition to the employment contracts concluded between the Company and its employees, the employment relationship is also subject to the internal regulations issued by the Company and ratified in accordance with the provisions of Public Enterprise Law and its executive regulations. The internal regulations include provisions regulating the salary scheme, salary increases, allowances and vacations for employees, in addition to certain regulations relating to social and medical care and training of employees. Employees' salaries are currently subject to a ceiling applicable pursuant to the Presidential decree No. 63 for 2014 and Prime Minister decree No. 1265 for 2014 given that said decrees are applicable to employees working in companies governed by Public Enterprise Law.
- Insurance fund of the employees has been established as of 01/04/1982 and has been registered before the Egyptian Insurance Control Authority under number 190 for 1982. The fund has its own juridical personality and separate financial liability from the Company and is represented before third parties by its chairman. The purpose for establishing the fund is to create a complementary system aiming to provide further support to the insurance benefits provided to the Company employees. The Fund's subscriptions have several sources, most importantly the Company's yearly contributions of EGP twenty two million, for a minimum period of thirteen years as of 01/01/2013, in addition to the Company's yearly contribution of EGP 5,250,000, for a minimum of seven years as of 01/01/2012. Any other amounts paid by the Company to the fund is considered one the fund's resources.
- Employee Shareholders Union has been established on 28/02/1994. The union has its own juridical personality separate from the Company. According to Article (184) of the Executive Regulations of the Capital Market Law No. 95 for 1992 and its Executive Regulations (the "Capital Market Law"), employees of a company that is subject to Public Enterprise Law are entitled to establish an employee shareholders union. Such union shall be entitled to own nominal shares of the company for the benefit of its members, provided that ownership of nominal shares by the union shall not be less than 5% of the nominal shares of the company in question. According to the statement issued by MCDR on 31/1/2019, the employee shareholders union of the Company owns 134,968,235 shares representing an ownership of 5,999% of the issued share capital of the Company.

**XII. Social Insurance**

- The Company pays on a regular basis the social insurance contributions to the Social Insurance Authority, whether for the employer or the employees. There are no outstanding amounts, disputes or other controversies with the Social Insurance Authority.
- The Company does not pay the contributions related to the social, health and culture services fund or those related to the training and rehabilitation fund. In this respect, the Company has a social solidarity committee for its employees, in addition to training program regulations. It is worth noting that Article (134) of Labor Law No. 12 for the year 2003 which regulates the training and rehabilitation fund is currently challenged before the supreme Constitutional Court requesting its unconstitutionality as well as revoking Prime Minister decree No. 1543 for the year 2003 in respect of Article (8) thereof. No judgment on this matter has been issued to date.

**XIII. Licenses**



- The Company owns numerous factories and warehouses, in addition to a sport club and an indoor lounge. In this respect, the Company maintains all material licenses and permits necessary to exercise its activity as it is currently conducted according to the applicable laws, regulations and decrees in Egypt.
- All operational licenses of the Company's factories and warehouses are valid and the Company complies with all provisions and comments referred to therein. However, the industrial registry certificate No. 37123/2011 pertaining to the industrial complex in 6th of October City has been renewed for one year from 16/12/2018 to end on 12/12/2019, until the Company complies with the Civil Defense and Fire Fighting requirements The Company is currently working on implementation of the said requirements and has put in place a timeline to complete such task. The operation license of the industrial complex in 6th of October City has consequently been renewed for one year on 16/12/2018 to end on 12/12/2019.
- Operation license No. 299/873 for the year 1909 pertaining to the Company's head office in Giza has expired on 26/09/2017. On 19/11/2018 the board of directors of the Company approved the cancellation of the operation license of the head office and the subsequent transfer of its production capacity to the industrial registry of the industrial complex in 6th of October City. The Company is currently undergoing the necessary procedures in this respect and the head office shall be accordingly converted into an administrative headquarters for the Company.

#### **XIV. Real estate, buildings and property owned by the Company or under its possession**

- Due to the Company's large scale and wide range of activities, the Company owns through registered contracts or preliminary sale contracts or leases a large number of buildings and other real estate assets, such as factories, warehouses, sports clubs, offices, garages, rest houses and other assets across Egypt, including in South and North Sinai. The Company enjoys undisputed possession to all its properties, none of its owned properties are encumbered by any mortgage, liens or third parties' rights except for nine shops and two apartments located at 6 of October City which do not represent any material impact on the Company's activity.

#### **XV. Manufacturing and Joint Manufacturing Agreements**

- The Company manufactures cigarettes on behalf of a number of local and international companies according to either manufacturing agreements or joint manufacturing agreements with terms up to seven years, and renewable in accordance with the parties' agreement. The Company is currently party to four manufacturing agreements and four joint manufacturing agreements.

#### **XVI. Information regarding Trademarks of the Company**

The following outlines the status of trademark registration in the name of the Company:

- 537 trademarks are locally registered in Egypt under the Company's name, and there are 17 trademarks that are currently being registered under the Company's name.
- 2706 international registrations for 78 trademarks, in 54 countries in accordance with WIPO.
- As for the trademarks registered regionally "outside Egypt" and those which are not registered with WIPO, there are 1408 registration for 114 trademarks in 73 countries, among them 227 trademarks are challenged and 424 currently under registration process.