

Reports requested within proposed Agenda for EGMS item 3

Item 3 Presentation by the board of directors of the company of a report describing the reasons and economic substantiation of the transfer of the company's cash, currently in the amount of 83,893,628 lei, to the cash pooling account of KMG Rompetrol SRL, the conditions for the withdrawal of the amount, as well as the actual guarantees obtained or other insurance measures taken by the company to secure that amount.


KMG International Group companies were associated in a centralized cash pooling agreement as it enables each involved entity to improve the risk / reward balance in relation to short term deposits and credit facilities. The funds available are used by the participating companies for their general purposes (ranging from day-to-day working capital to ongoing financing of capital expenditures and investments).

The cash pooling agreement establishes the automatic daily transfer of the cash availabilities of each participating company to a common bank account from which it is used by each of these participating companies for making payments; the bank account is opened on behalf of the coordinating company of the cash pooling and who, as such, is mandated to negotiate and obtain the necessary financing from the banking institutions through which the operations are carried out. The coordinating company of the cash pooling does not apply different interest rates than those charged by the bank to the master account. As such, the transaction is assumed as being performed on arm's length terms.

The amounts existing in the cash pooling account can be utilised by the Company on a daily basis, depending on the cash needs. The contract is valid for one year and shall be automatically extended upon expiry of this term for consecutive one year periods, unless terminated by either Party at least 30 days prior to the end of each 1 year term.

The amounts existing in the master account are guaranteed with a blank bank promisory note. In addition, on 17 October 2019, KMG International NV issued a deed guarantee in favor of the Company for an amount up to 30 million USD, in connection with the current cash pooling contract.

Chairman of the Board of Directors,
Yedil Utekov

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