

**Report**  
**on the coverage of losses for 2017**

S.C. Electromagnetica prepares financial statements in accordance with Orde no. 2844/2016 of the Ministry of Public Finance approving the Accounting regulations compliant with the International Financial Reporting Standards (IFRS).

As of 31 December 2017, the Company recorded an accounting loss of LEI 15,370,332.

Pursuant to Article 18(4) of the Law no. 82/1991 on accountancy, "The reported accounting loss will be covered from the profit of the financial year and the reported profit, from reserves and share capital, according to the resolution of the general meeting of shareholders".

We hereby submit the following proposals to the Ordinary General Meeting of Shareholders:

1. non dividend distribution;
2. full coverage of the accounting loss of LEI 15,370,332 recorded as of 31 December 2017 by using the amount of the statutory reserve resulting from the adjustment for inflation as we switch to IFRS:

Account 1061001 Adjustment for inflation – statutory reserves  
(IAS 29)

Managing Director,  
Eugen Scheusan

Chief Financial Officer,  
Cristina Florea