

Report on net profit allocation and dividend setting for 2015

S.C. Electromagnetica prepares financial statements in accordance with Order no. 1286/2012 of the Ministry of Public Finance approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

As of 31 December 2015, the Company recorded an accounting loss of lei 22,716,628 and is not able to allocate dividends.

Pursuant to Article 18 (4) of the Accounting Law no. 82/1991 *"the reported accounting loss shall be covered by the profit of the financial year and reported profit, by the reserves and share capital of the company, according to the decision of the general meeting of shareholders"*.

The reserves of the Company as of 31 December 2015 are detailed below:

1061	Total statutory reserves, of which:	56,849,081 lei
1061000	Statutory reserves (constituted from gross profit)	10,112,244 lei
1061001	Adjustments for inflation – statutory reserves (IAS 29)	46,736,837 lei
1068	Other reserves, of which:	57,312,841 lei
1068100	Reserves from fiscal incentives total	1,072,153 lei
1068300	Other reserves – own funding sources (constituted from net profit)	56,045,810 lei
1068910	Adjustments IAS29 – reserves from fiscal incentives	194,878 lei

We propose to the Ordinary General Meeting of Shareholders (AGOA) to approve that the accounting loss in amount of Lei 22,716,628, recorded as of 31.12.2015 should be covered by the Company's reserves and to authorization the Board of Directors to choose the best way to record this from the fiscal point of view. Records are to be made in 2016, following approval by AGOA.

General Manager,
Eugen Scheusan

Economic Manager,
Ilie Frasineanu