

bridge for whole world

Annual Report
2009



SERBIAN EXPORT CREDIT AND INSURANCE AGENCY

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CHAIRMAN'S STATEMENT

PLast year was marked, both on domestic and international markets, by global economic crisis. Serbia faced the slowdown in its economy, drop in GDP, and troubles with liquidity on financial markets. In the existing circumstances, beside the economic measures that the Government of Serbia passed in attempt to slowdown and to eliminate the effects of economic crisis, AOFI played an important role in stabilizing economic activities especially exporting activity. Responding to the needs of Serbian economy, AOFI proved itself as a valuable partner of Serbian government.

Hoping to further improve activities of AOFI, Management Board, in agreement with its legal and statutory authorizations, adopted 35 decisions. Among adopted results and decisions I would like to point out and emphasize the following:

- New organizational chart which further defined job positions, relationships and ranks of its parts, in accordance to the needs, due to the increase in business activity that AOFI has
- Enactment that defined the operations of AOFI in the loan department, factoring and insurance by determining terms such as interest rates, provisions, tariffs, premium rates etc
- Proposal to the Assembly for increase in the capital base
- Proposal to the Assembly for net income distribution

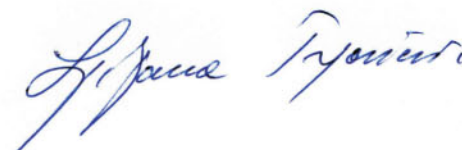
In October 2009, after termination of management board's four year mandate, the Assembly of AOFI elected new members of the management board. At the second constitutive meeting, the Management board elected and trusted again Mr. Milanko Bogosavljevic to the function of chief executive officer.

AOFI followed and implemented its planned policies, according to the Management Board, which has no objections towards submitted reports and it confirms Annual Report of the Serbian Export Credit and Insurance Agency for the year 2009.

As a chairman of the Management Board I will continue to work towards further improvement of corporate culture of AOFI and efficient implementation of set business activities.

CHAIRMAN OF THE MANAGEMENT BOARD

Ljiljana Trgovcevic



CHIEF EXECUTIVE'S STATEMENT

At the end of the very difficult financial year, AOFI still keeps strong and stable position on Serbian financial market. Our continuously good results are consequence of good portfolio diversification, strong position of assets, and principal approach to the risk management and clearly defined long term plan and development strategy. Our dedicated employees, who always seek the best solution for our clients, are key ingredient of achieved business results. Financial crisis and resulting economic recession imposed difficult economic environment to our clients and pushed many into liquidity challenges. However, due to AOFI's clear vision to support exporting companies, we succeeded to facilitate business environment to our clients through short term financing and insurance from commercial and noncommercial risks. Market crashes that occurred in the past two years additionally showed and proved the importance and rightness of founding the institution such as AOFI, and the value that our organization has for exporting companies as well as development and sustainable growth of the economy of Serbia.

In 2009 we approved loans in the value of 72.035 million euro which represent the increase of 10% in comparison to the year before. Newly appeared problems with liquidity forced companies to accept insurance as additional cost of doing business. The value of insured export reached 57.36 million euro which is more than two times higher than the year before. In May 2009 AOFI took over Serbian and Montenegro Export Credit Agency – SMECA. Consolidating the business activities of the two companies was a challenging task that thanks to the expertise of our management and employees was successfully completed.

Despite conservative approach to every day activity that AOFI promotes while protecting shareholders' interests, many claims occurred in 2009 and 10 claims were paid out. In our insurance portfolio Ukrainian market, which was heavily hit by the crisis, had the most claims.

In the last year, in corporation with the government and foreign institutions we attended conferences and gatherings where AOFI supported dialog and constructive argument, searching for the best solution for the Serbian exporters. Our business result proves that AOFI deserves the trust that we were confided with which obligates us further to continue improving our products and services and to additionally strengthen international position of Serbian exporting companies.

CEO

Milanko Bogosavljevic





AOFI – Corporate Profile

Name	Serbian Export Credit and Insurance Agency
Address	Bulevar Zorana Đinđića 121
Start of operation	26.07.2005.
Established by	The Republic of Serbia
Main activities	Financing and insurance of exporting goods, services, investment projects and investments abroad
Auditor for 2009	BDO BC Excel
International corporation	MBDP Macedonia, IGA, Bosnia and Herzegovina, SID Banka, Slovenia, SACE Italy, UZBEKINVEST, Uzbekistan, EXIMBANK RO, Romania, EGFI, Iran, BAEZ, Bulgaria, BELEXIMIGRANT, Belorussia, EXIMBANKA SR, Slovakia, etc
Membership	Prague club Berne Union, Factors Chain International, BACEE
Executive board	Milanko Bogosavljević - chairman Danijela Piljak - member Dimitrije Stamenović - member
Management board	Ljiljana Trgovčević, predsednica Nenad Mijailović, deputy manager Julijana Vučković, member Dejan Jokić, member Jadranka Zenić-Zeljковиć, member



MACROECONOMIC OVERVIEW OF YEAR 2009

Despite combined efforts of leading economic countries to eliminate or at least slow down and soften negative effects of economic crisis, negative trends in international financial markets from 2008 spilled over into 2009 as well. Impairment of macroeconomic parameters in 2009 is a consequence of the biggest recession that the world economy experienced in the past sixty years. Interconnection and interdependence of global trade and financial routes triggered drop in the world demand which in return combined with tightened financing from financial sector led to drop in GDP in smaller economies. After the turbulences on financial markets and investment circles, the trend “search for the yield” was replaced by “search for quality”. In other words, investors due to higher risk aversion retreated funds from high-risk markets and searched for the stable investments, such as government bonds. In such environment countries with high foreign debt and foreign trade deficit were especially vulnerable. South eastern European (SEE) countries belong to this group, having all of the characteristics mentioned above. Aggressive growth of GDP that SEE countries experienced is a consequence of foreign direct investment which strengthened domestic consumption and industrial production.



Serbia, as other SEE countries, was heavily hit by international crisis. It is estimated that total economic activity in 2009, measured by GDP expressed in terms of prices from the year 2002, has dropped by 2.9% with respect to the year before¹. Industries that experienced growth are: telecommunications, agriculture, financial and government sector. All other sectors experienced fall in its activities. Extent and length of such economic contraction will be determined by several factors: 1) fall of the world demand and consequently of domestic demand, 2) foreign domestic investments which dramatically slowed down since October 2008 and 3) cost, as well as availability, of acquiring new funds.

According to the Statistical office of the Republic of Serbia price index in 2009 in comparison to the prices in 2008 grew by 8.4%. National Bank of Serbia together with the Government of Serbia in accordance with “Memorandum of National Bank of Serbia about monetary policy” committed to determine targeted inflation rates. Targeted inflation, which monetary board of National Bank of Serbia sets in agreement with the memorandum mentioned above for the period from 2010 until 2012, is presented in the table below.

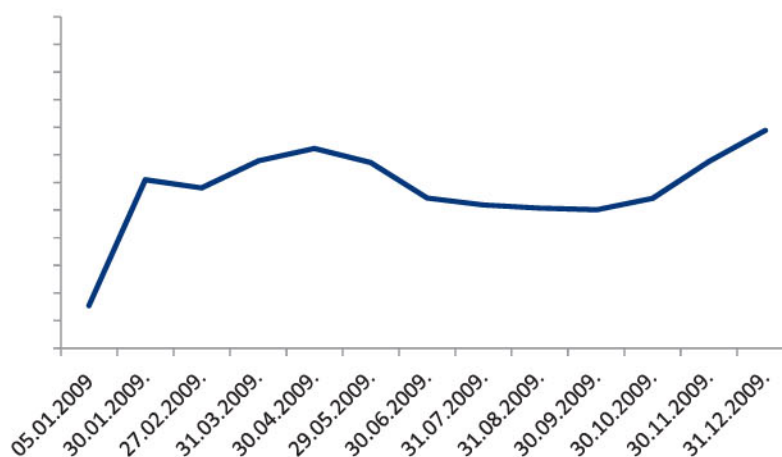
¹ Source: Statistical office of the Republic of Serbia.

Year 2010	Targeted inflation in percentage	Deviation in percentage points	Year 2012	Targeted inflation in percentage	Deviation in percentage points
I	7,8	+/- 2	I	4,5	+/- 1,5
II	7,7	+/- 2	II	4,4	+/- 1,5
III	7,5	+/- 2	III	4,4	+/- 1,5
IV	7,3	+/- 2	IV	4,3	+/- 1,5
V	7,2	+/- 2	V	4,3	+/- 1,5
VI	7,0	+/- 2	VI	4,2	+/- 1,5
VII	6,8	+/- 2	VII	4,2	+/- 1,5
VIII	6,7	+/- 2	VIII	4,2	+/- 1,5
IX	6,5	+/- 2	IX	4,1	+/- 1,5
X	6,3	+/- 2	X	4,1	+/- 1,5
XI	6,2	+/- 2	XI	4,0	+/- 1,5
XII	6,0	+/- 2	XII	4,0	+/- 1,5
2011					
I	5,9	+/- 2			
II	5,8	+/- 1,9			
III	5,6	+/- 1,9			
IV	5,5	+/- 1,8			
V	5,4	+/- 1,8			
VI	5,3	+/- 1,8			
VII	5,1	+/- 1,7			
VIII	5,0	+/- 1,7			
IX	4,9	+/- 1,6			
X	4,8	+/- 1,6			
XI	4,6	+/- 1,5			
XII	4,5	+/- 1,5			

Table 1: Source: National Bank of Serbia

Due to recession difficulties that occurred in Serbia, employment rate is lower in 2009 by 5.1% in comparison to the year before. Wage rate, net of benefits, did grow in 2009, so that in comparison to the year 2008 rose by 8.5%. Real wage however dropped by 0.1%.

At the beginning of 2009 Serbian dinar (RSD) had value against euro (EUR) of 89.5436 RSD/EUR and the year ended with the value of 95.8888 RSD/EUR. In other words, Serbian dinar depreciated against euro approximately by 7.01%. Graphic 1 shows how Serbian dinar fluctuated in comparison to euro over the past twelve months.



Graphic 1: Source: National Bank of Serbia

Total foreign trade exchange reached 17,118.9 million euro thus showing a drop in the value of trade by 25.3%. The value of export of goods dropped by 19.7% and had value of 5,961.6 million euro. On the other hand import of goods decreased by 28% totaling to 11,157.3 million euro. Foreign trade deficit in 2009 was 5,195.6 million euro, which is a decrease by 35.6% in comparison to the last year. It is worth noticing that import coverage by export is higher in 2009 and was approximately 53.3%,

Based on the data shown above we see that the trend of lower foreign trade has continued in 2009. Economists point out world economic crisis as a major factor in decrease of the world economy. Drop in the Serbian exporting activity is a consequence of cut in prices of primary goods on the world market, while the major factor of decrease in imports can be found in lower industry activity and fall in domestic consumption.

Major foreign trade partners in exporting activity were Bosnia and Herzegovina (706.6810 million EUR), followed by Germany (610.0212 EUR) and Montenegro (581.9071 million EUR). Importing partners of the Republic of Serbia are Russian Federation (1370.2165million EUR), Germany (1353.0279 million EUR) and Italy (1067.7807 million EUR). More than the half of foreign trade of Serbia was realized by European Union. The largest foreign trade surplus Serbia made with Montenegro, Bosnia and Herzegovina, Iraq and Macedonia. On the other hand, the largest foreign trade deficit exists with Russian Federation primarily due to importing of oil and gas. In table 2 are shown, according to the categorization of “Standard international trade classification”, goods which are most represented in export and import of the Republic of Serbia.

Exporting goods	Amount	Importing goods	Amount
Iron and steel	648 million EUR	Oil and oil derivatives	1.494 million EUR
Clothing (mostly military vest)	533 million EUR	Road vehicles	1.191 million EUR
Grain and grain products	477 million EUR	Natural gas	771 million EUR
Vegetables and fruits	453 million EUR	Electric machines and devices	695 million EUR
Metals	442 million EUR	Industrial machines for general use	693 million EUR
Percentage of total export	30,6%	Percentage of total import	31,1%

Analyzing everything already said, we can clearly see that in the year ahead of us the following challenges will remain for Serbian economy: maintaining macroeconomic stability, further improvement of investment capacities of the country, modernizing industry, growth of the living standard and creating new job opportunities. AOFI will continue to have an important role in supporting Serbian exporting companies.

AOFI – ACTIVITIES AND ACHIEVEMENTS IN 2009

INSURANCE SECTOR

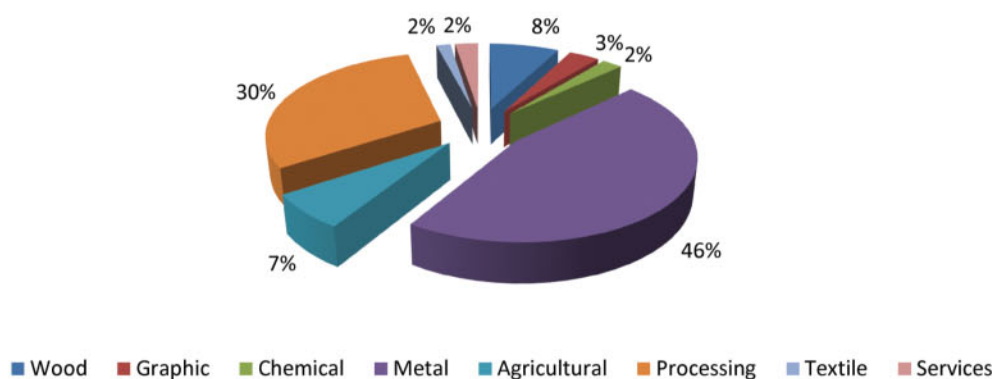
Insurance department continued to support Serbian exporting activities in 2009 as well. Based on liaisons that our clients have with over 330 foreign buyers, we signed 40 contracts against foreign buyer default insurance.

Achieved results are consequence of efforts that AOFI's employees put into together with colleagues from Serbian and Montenegro Export Credit Agency (SMECA) who joined AOFI in May 2009. Once Law on termination of SMECA's operation was passed on, AOFI took over all the rights and obligations, as well as the capital and employees of SMECA.

Since May 2006, when first policy against commercial risk was issued, number of contracts that AOFI signed with clients dramatically increased. Intensive work and education of Serbian exporters about importance and advantage of insurance resulted with 63 active insurance police which include approved limits to 790 buyers. Aspiring to support small and medium enterprises and to help them realize exporting ambitions, AOFI signed contracts with 22 small enterprises, 16 medium and 22 large enterprises with turnover of 57.357.340,08 EUR.

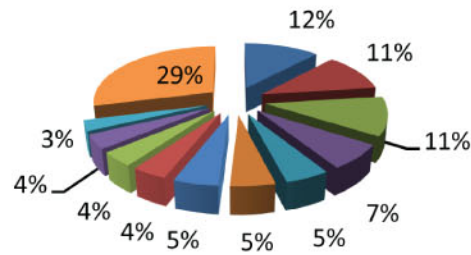
In AOFI's insurance portfolio the largest weight has metal industry (46%), followed by processing industry (30%), wood (8%), and agriculture (7%).

Portfolio structure wrt industries



Most of our clients have relations with the companies from European Union, above 58 % of them. Out of EU countries Italy stands out with 12 % which represents significant drop with respect to the year before, when 32.8% of our clients exported to Italy. Significant exporting markets for Serbian companies are still countries from the region: Croatia 11%, Bosnia and Herzegovina 5%, and Macedonia 2,97%.

Diversification of portfolio wrt exporting country

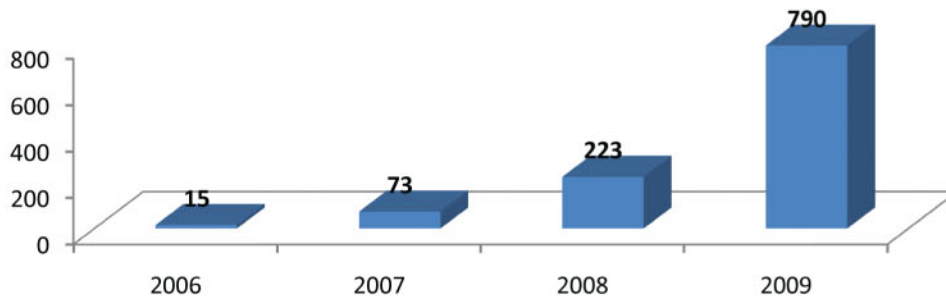


- Italy
- Croatia
- Serbia
- Germany
- Iran
- Bosnia and Herzegovina
- Austria
- France
- Poland

Insurance of exporting projects that are realized in 35 different countries proves the good diversification of AOFI's portfolio, which was one of the goals that Insurance sector set for 2009. Beside portfolio's diversification with respect to existing economic crisis we have well diversified our activities against industry risk as well.

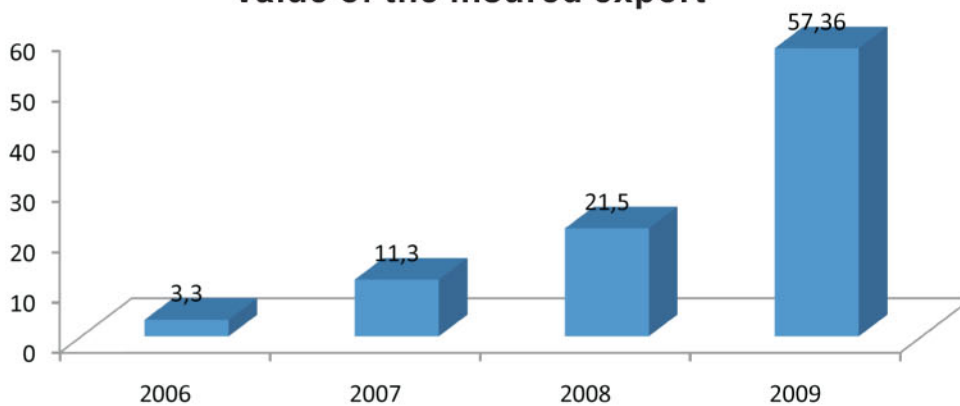
During 2009, with respect to the year before, number of approved limits increased 4 times from 223 up to 790 limits.

Number of foreign buyers' limits



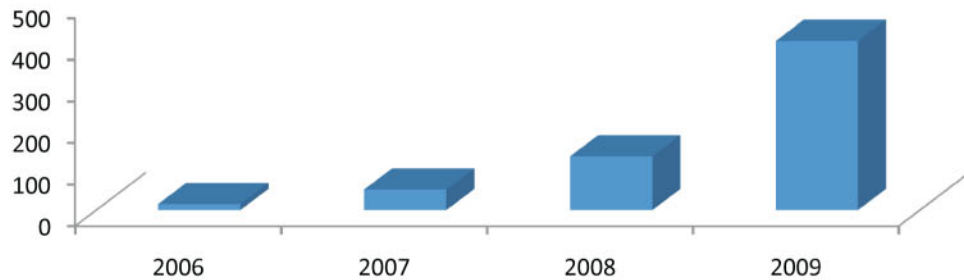
Value of insured export increased over 260 %, from 21.5 million EUR in 2008 to 57.36 million EUR in 2009, which was a consequence of increase in approved limits and adequate management of the limits.

Value of the insured export



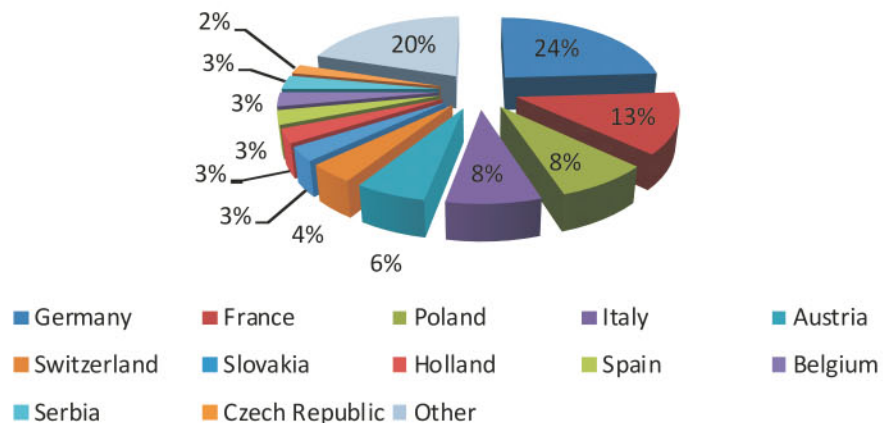
Increase in the value of collected premium is a consequence of larger volume of business activities of insurance sector as well as the increase in the value of the average premium rate, which during the year was adjusted with the increasing market risk.

Insurance premium (000 EUR)



Beside managing basic portfolio, insurance sector insures receivables of big multinational companies. This portfolio constitutes of three policies, which are managed by principals and methodology that we accepted from foreign insuring companies through signed agreements with our reinsurer. This portfolio consists mostly of metal industry (90 %) followed by wood industry (4 %). Under these policies AOFI approved limits in the value of 169.048.500 EUR, 319 foreign buyers from 35 different countries were included.

Risk exposure from international policies



Under international policies value of export that AOFI insured is 205.175.711 EUR

Effects of economic crisis particularly effected buyers', already, vulnerable liquidity position. This led to prolonged payments and appearance of first claims. In 2009 AOFI received 47 claims, out of which 18 were closed. In 2009 AOFI paid out 10 claims in total amount of 2.987.508,7 EUR.

In the countries were claims appeared, if we look at the number of claims and the amounts Ukraine stands out in AOFI's portfolio. With respect to the claims paid AOFI received reimbursement from reinsurer in the amount of 2.637.142,41 EUR. Regress for claims paid out for the fiscal year was 25.363,80 EUR.

The ability to collect payment for insured event proves further to Serbian exporters the importance to share risk with insurer as well as to protect their liquidity.

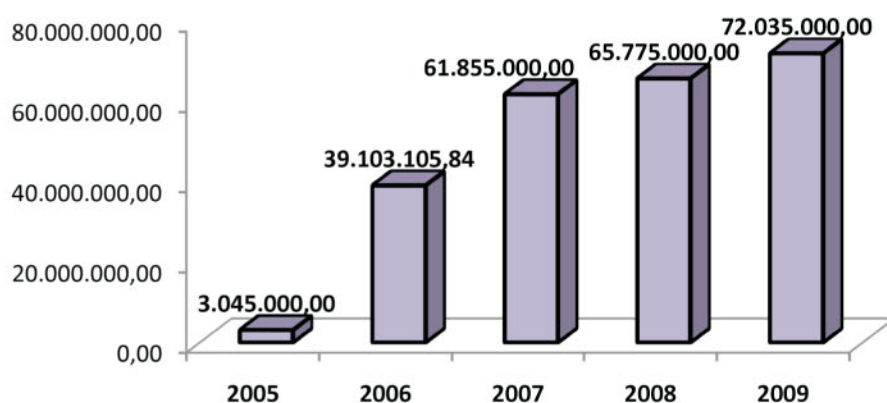
In the domain of international cooperation AOFI made significant progress. In 2009 AOFI signed cooperation with BAEZ from Bulgaria, BELEKSIMGARANT from Belorussia, and EXIMBANG from Slovakia.

AOFI actively participated in the meetings of Prague club: spring assembly held in Belorussia and fall assembly which was in South Africa. Beside cooperation through Prague club, our employees participated at various meetings, discussions, educational seminars and international gatherings in the country and abroad.

SECTOR FOR LOANS

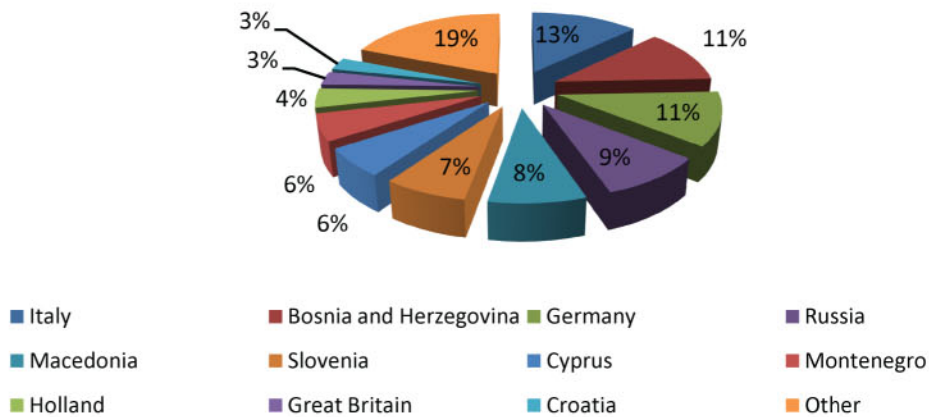
AOFI supports export activity in an organized, structured manner through three products: insurance, short term financing and guarantees. Short term financing consists of loan and factoring sectors. Loan sector is in the existence since AOFI was founded in 2005. Every year loan sector develops, improves and expands client base and supports realization of greater volume of export activity. In 2009 AOFI approved loans to 148 different clients, and increased client base by 12% with respect to the year before. AOFI continued to increase its presence on financial market authorizing 199 loans with the total value of 72.035.000 EUR. Graphic below shows how the value of approved loans increased over time. It is worth noticing that just in 2009 total value of approved loans was increased by 10%.

Total value of approved loans



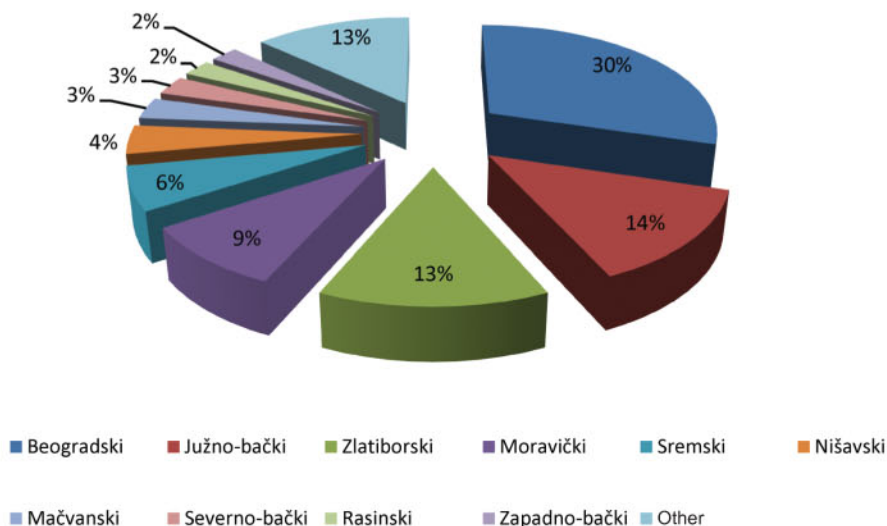
With the help of AOFI our clients realized export contracts in the total value of 220 million EUR. Most of our clients have bilateral relations with companies from Italy (13 %), Bosnia and Herzegovina (11 %) and Germany (11 %).

Portfolio diversification wrt export markets



Aspiring to provide balanced growth support to all regions in Serbia, AOFI through its loan sector supported companies from 23 different regions. Most of the companies that AOFI financed in 2009 came from Belgrade (24%), Juzno-backi (14%) and Zlatiborski regions.

Portfolio diversification wrt export regions

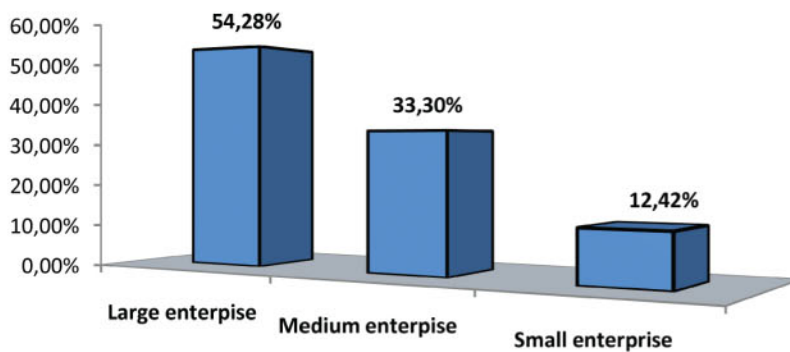


In 2009 sixty-four loans were approved to agricultural companies in the total value of 29.3 million EUR. Agricultural (food processing) industry contributes to our portfolio with 41%. It is followed by the companies from processing industry (38%). Over 60 different companies from processing industry used over 27.0 million EUR in 2009.

Industry	Number of approved loans	Amount	Percentage
Processing	64	29,350,000	41 %
Agricultural	90	27,110,000	38 %
Metal	9	6,730,000	9 %
Shipbuilding	4	2,880,000	4 %
Machine	8	2,140,000	3 %
Wood	11	1,325,000	2 %
Graphic	5	1,080,000	1 %
Textile	5	1,000,000	1 %
Services	2	340,000	0 %
Chemical	1	80,000	0 %
TOTAL:	199	72,035,000	100 %

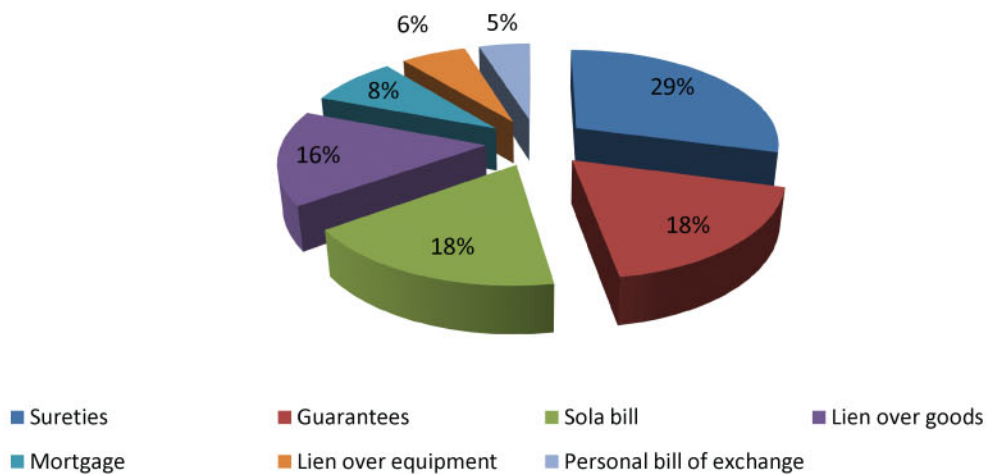
Strong small and medium enterprise (SME) sector is key to sustainable development and growth of every economy. Taking this into the account AOFI pays special attention to the SME sector. In 2009 we supported 131 small and medium enterprises with 32.9 million EUR. Large enterprises used 39.1 million EUR in the same period.

Portfolio diversification wrt enterprise size



AOFI as a joint stock company has both duty and responsibility to protect shareholders' interests. Responsible and conservative dealing is the first principle that AOFI follows in its operations. Strong capital position and maintaining the value of capital as well as covering shareholders' interests led us to protect loan positions with appropriate collaterals, such as: sola bill of the borrower and sureties of other solvent companies, sola bills of the company's owner, mortgage, lien over equipment or goods, and banks' guarantees.

Portfolio structure wrt collateral



Average interest rate in 2009 on short term loans amounted up to 4.05% and the average value of the loan was 360.000 EUR.

SECTOR FOR GUARANTEES

In May 2009, after AOFI took over Serbian and Montenegro Export Credit Agency, portfolio with guarantees was adopted. AOFI issues various types of guarantees such as: payment, performance, advance payment, retention and maintenance guarantees. With the efforts and help of AOFI's sector for guarantees exporting companies from Serbia successfully realized capital investments in Northern African countries and on ex Soviet Union markets.

In 2009 advance payment guarantees and performance guarantees were successfully extended in the amount of 639.650,20 EUR. On December 31, 2009 the balance of AOFI's guarantees reached up to 1.2 million EUR facilitating export in the value of 19.8 million EUR.

FACTORING SECTOR

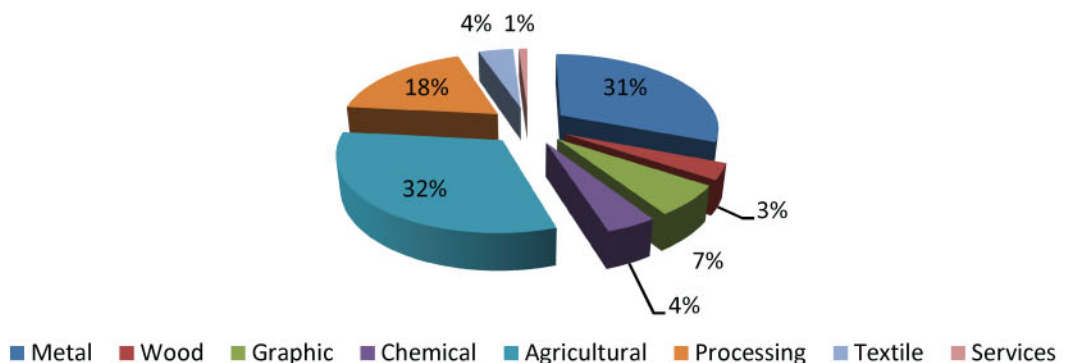
Serbian Export and Credit Agency continued in 2009 to further develop factoring as a product and to additionally position itself on domestic financial market. Ever since factoring sector was founded in 2006, exporting companies recognized that the factoring will facilitate and ease daily operations by providing necessary liquidity with out increasing debt positions on the balance sheet. Last year this product was used by 65 companies: 23 large, 23 medium and 19 small companies with realized turnover of 44.02 million EUR.

FACTORING SECTOR - BUSINESS ACTIVITY IN 2009

Total turnover	44.023.602,29 EUR
International factoring	27.672.067,86 EUR
Domestic factoring	16.351.534,43 EUR
Number of active contracts	65
Number of international factoring contracts	45
Number of domestic factoring contracts	20
Total number of transactions	2590
Number of transactions in international factoring	1464
Number of transactions in domestic factoring	1126

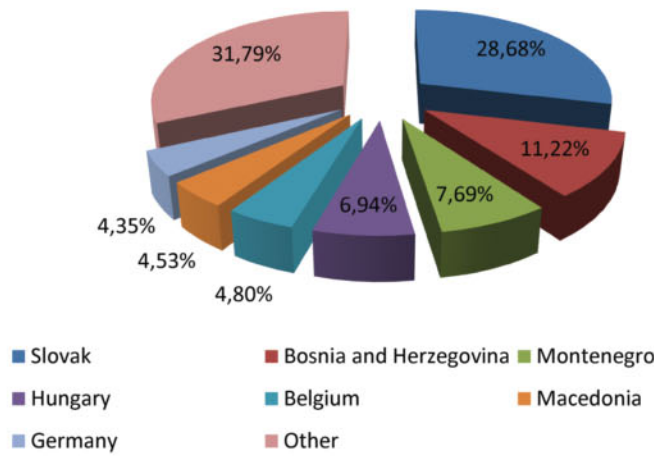
AOFI supported companies from almost all industries that have high quality exporting program and solvent buyers.

Portfolio structure wrt industry



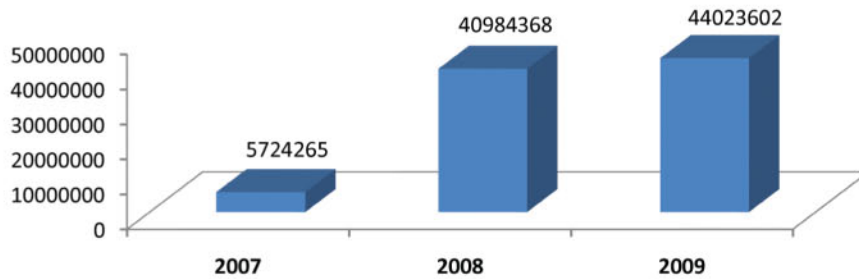
Our portfolio is well diversified with respect to the country risk. We notice that our clients have strongest relations with countries from the region (Serbia has signed free trade agreement “Central European Free Trade Agreement – CEFTA”) as well as with European Union countries among which Slovak Republic stands out.

Portfolio structure wrt export markets



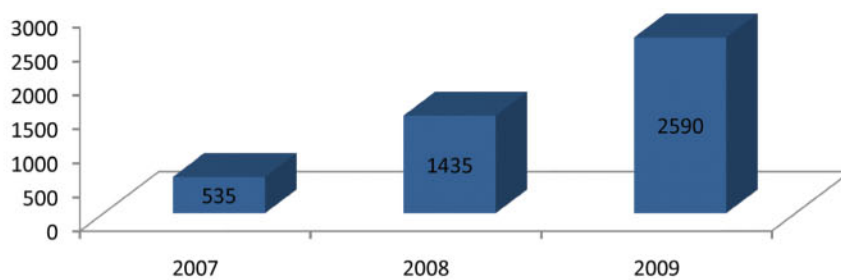
Factoring sector experienced strong growth since its establishment. Realized turnover in 2007 was over 5.7 million EUR, the next year turnover reached the value of 40.9 million EUR. This trend continued in 2009 and despite difficulties in the economic environment and the drop of exporting activity, turnover reached the value of 44.023 million EUR – which is the increase of 7.41% with respect to 2008.

Factoring sector - total turnover over the years expressed in EUR



Number of transactions increased in 2009 by 80%.

Number of factoring transactions



In May 2009 AOFI took over the Serbian and Montenegro Export Credit Agency (SMECA). Consolidating business activities of the two companies was a challenging task that was successfully completed.

INDEPENDENT AUDITOR'S REPORT

To the Founders and the Board of Directors of Serbian Export Credit and Insurance Agency a.d., Belgrade and the Board of Directors

We have audited the accompanying financial statements of a closed joint stock company “Serbian Export Credit and Insurance Agency” a.d., Belgrade (hereinafter: the “Agency”) which comprise the balance sheet as of 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. Statistical annex is an integral part of these financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and Auditing of the Republic of Serbia (“Official Gazette of the Republic of Serbia”, no.46/2006 and 111/2009). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Founders and the Board of Directors of Serbian Export Credit and Insurance Agency a.d., Belgrade and the Board of Directors

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of 31 December 2009, and the results of its operations and cash flows for the year then ended, in accordance with the accounting regulations prevailing in the Republic of Serbia and accounting policies disclosed in Notes 2 and 3 to the financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matter: the financial statements are presented in the format prescribed by the "Guidelines on the Prescribed Forms and Contents of the Financial Statements of Companies, Cooperatives and Entrepreneurs" (Official Gazette of the Republic of Serbia, no.114, 5/2007, 119/2008 and 2/2010). According to the matters mentioned above, as disclosed in Note 10 to the financial statements, financial income in 2009 amounting to RSD 1,517,610 thousand includes the amount of RSD 408,380 thousand representing the income from the Agency's main activities.

Belgrade, 26 March 2010

Danijela Krtinic
Certified Auditor

BALANCE SHEET

As of 31 December 2009

all amounts are expressed in RSD thousand, unless otherwise stated

	Note	31 December 2009	31 December 2008
Assets			
Non-current assets		31696	10723
GOODWILL			
Intangible assets	15	6944	4994
Equipment	15	5490	5729
Equity investments	16	19262	
Current assets		6820383	5181903
Inventories		663	
Accounts receivable	17	1101591	615278
Receivables for overpaid taxes		5979	
Short-term financial placements	18	5596488	4504126
Cash and cash equivalents	19	101504	62309
Value added tax, prepayments and accrued income		14158	190
TOTAL ASSETS		6852079	5192626
EQUITY AND LIABILITIES			
Equity		5907096	2650767
Capital	20	5177000	2000000
Reserves		651066	178141
Retained earnings		79030	472626
Long term provisions and liabilities		304944	2017273
Long-term provisions	21	304971	116923
Long-term liabilities	22	153	1900350
Current Liabilities		640030	524521
Short term financial liabilities	23	432073	354730
Accounts payable	24	173989	147940
Other current liabilities		38	
Other current liabilities, accruals and deferred income		33930	18744
Income tax payable			3107
Deffered tax liability		9	65
TOTAL EQUITY AND LIABILITIES		6852079	5192626
OFF BALANCE SHEET ASSETS	25	8588023	538489

INCOME STATEMENT

For the period from 1 January to 31 December 2009

all amounts are expressed in RSD thousand, unless otherwise stated

	Note	2009	2008
Operating Income		506	2148
Sales		506	
Other operating income			2144
OPERATING EXPENSES		312474	97002
Cost of material	6	3282	3044
Wages, salaries and other personnel expenses	7	73024	55021
Depreciation and provision	8	147242	5890
Other operating expenses	9	88930	33047
OPERATING PROFIT		311972	94854
OPERATING LOSS		1517610	982618
Financial income	10	376332	174195
Financial expenses	11	140564	12714
Other income	12	888664	579346
Other expenses	13	81206	146941
Profit before tax		5946	15201
Tax expense for period	14		5
Deffered tax income for the period		3770	
Deffered tax expense for the period	14		
NETO PROFIT		79030	131735
EARNING PER SHARE	20	2	7

CASH FLOW STATEMENT

For the period from 1 January to 31 December 2009

all amounts are expressed in RSD thousand, unless otherwise stated

	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		
Cash inflows from operating activities	342668	313104
Inflows from sales and received advances	356	
Received interests from operating activities	229634	214204
Other inflows from operating activities	112674	94896
Cash outflows from operating activities	191465	133791
Outflows from payments for trade payables and advances paid	80964	32402
Outflows from payments to employees and on behalf of employees	73457	55021
Outflows from paid interest	17999	30250
Outflows from other tax liabilities	14181	16118
Outflows from income taxes	4664	
Net cash from operating activities	151203	179313
CASH FLOW FROM INVESTING ACTIVITIES		
Cash inflows from investment activities	21544342	14183010
Inflows from other financial investments	21468745	14138538
Inflows from other financial investments	71631	44472
Cash outflows from investment activities	21369894	15645414
Outflows from fixed assets purchases	2470	6555
Outflows from other financial investments	21367424	15638859
Net cash inflow from investment activities	170448	
Net cash outflow from investment activities		1462404
CASH FLOW FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		
Inflows from owners capital increase		
Inflows from long term and short term loans		105226
Inflow from other financing activities		1200000
Cash outflows from financing activities	282456	669
Long term and short term loans and other liabilities (net outflow)	281625	
Financial leasing	831	669
Net cash inflow from financing activity		1304557
Net cash outflow from financing activity	282456	
TOTAL CASH INFLOWS	21883010	15801340
TOTAL CASH OUTFLOWS	21843815	15779474
NET CASH INFLOWS	39195	21466
NET CASH OUTFLOW		
CASH AT THE BEGINNING OF YEAR	62309	40843
CASH AT THE END OF THE YEAR	101504	62309

STATEMENT OF CHANGES IN EQUITY

For the period from 1 January to 31 December 2009

all amounts are expressed in RSD thousand, unless otherwise stated

	Capital	Share issuing premium	Statutory reserves	Retained earnings	Prior years' losses	Profit for the current year	Total
Paid in capital	2000000	140264	-	279990	-9500	-	2410754
Statutory reserves	-	-	27049	-27049	-	-	-
Profit for the year	-	-	-	-	-	108277	108277
Prior years losses	-	-	-	-9500	9500	-	-
Balance as of							
31.Dec.07	2000000	140264	27049	243441	-	108277	2519031
Statutory reserves	-	-	10828	-	-	-10828	-
Prior years' profit	-	-	-	97449	-	-97449	-
Profit for the year	-	-	-	-	-	131736	131736
Balance as of							
31.Dec.08	2000000	140264	37877	340890	-	131736	2650767
Share capital	1722000	-	-	-	-	-	1722000
Transfer from reserves	-	-	-	131736	-	-131736	-
Balance as of							
22.May.09	3722000	140264	37877	472626	-	-	4372767
Increase of the current period	1455000	-	299	-	-	-	1455300
Profit for the year	-	-	-	-	-	79030	79030
Transfer from reserves	-	-	472626	-472626	-	-	-
Balance as of							
31.Dec.09	5177000	140264	510802	-	-	79030	5907096

AOFI – BUSINESS RESULT

Hoping to further improve our operations we have set both financial and other nonfinancial, operation goals. Strategic imperative of AOFI is preserving the real capital value, as well as consistent and sustainable growth. Last year, despite challenges and difficulties present on domestic market, we completed with positive net result of 79.03 million Serbian dinars (RSD). Since insurance department experienced sharp rise in its activities and international financial markets went through turbulences, we had to set significant financial means aside for reserves. Out of all operating costs, 47% is amortization and reserves, which caused the drop in net result.

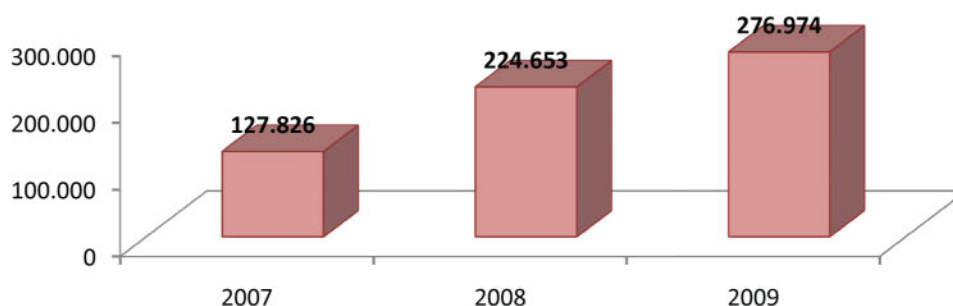
Revenue and cost analysis

AOFI continuously experiences growth in operating revenue. In comparison to the year 2008 operating revenue increased by 48%. Operating revenue is presented in the table below.

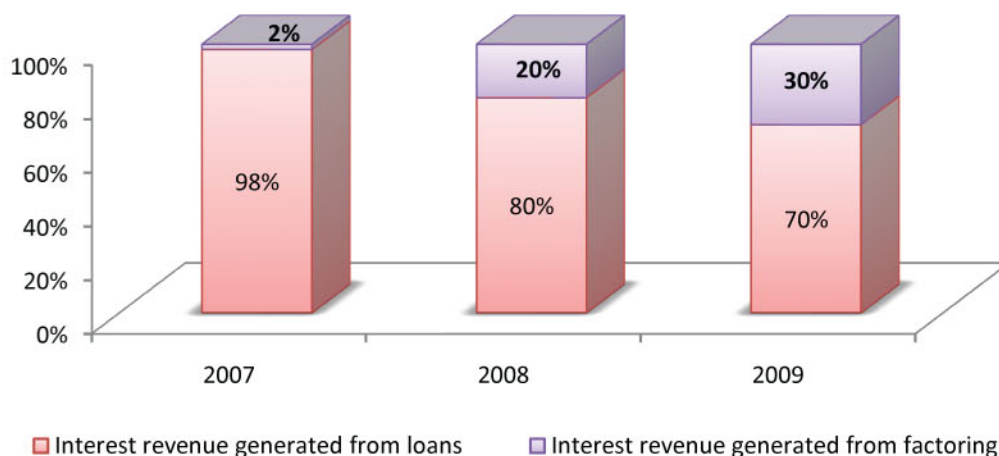
	2009	%	2008	%	Δ% 2009 vs 2008
Interest revenue	276,974	68%	224,653	81%	23%
Revenue from provisions	70,970	17%	41,189	15%	72%
Revenue from insurance premium	60,436	15%	10,349	4%	484%
Total revenue	408,380	100%	276,191	100%	48%

It can easily be noticed that the revenue increased from all operations and that revenue from insurance premium continues to experience the sharpest rise – 484%.

Interest revenue



Interest revenue is generated from loans and factoring activities. Since factoring has further developed this year, interest from factoring activity constitutes more of total interest than in the previous years.



It was already mentioned that AOFI experienced a strong rise in its activities, and that insurance sector had the sharpest rise, especially in terms of collected premium.

Revenue from insurance premium

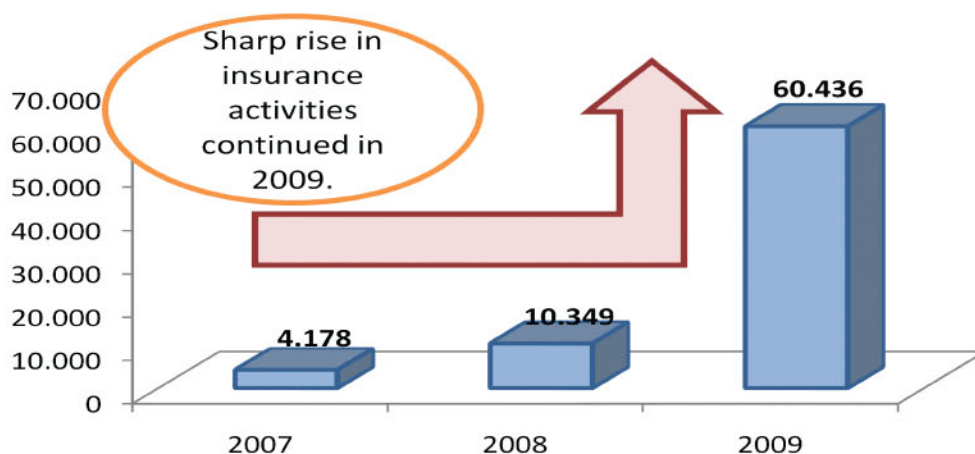


Table below presents revenues and costs over the past three years.

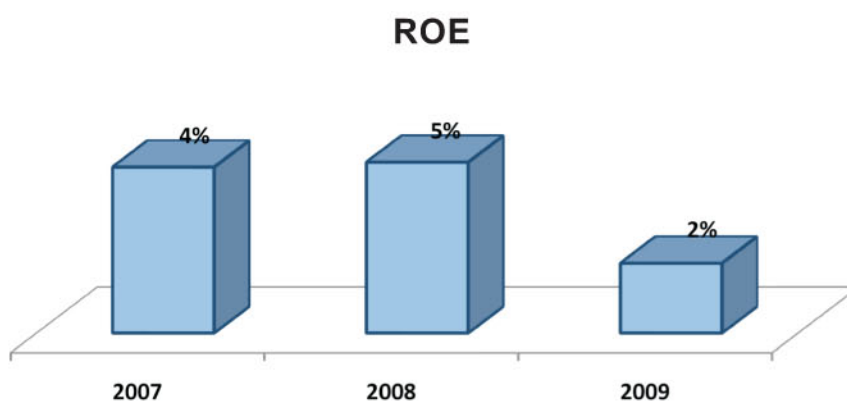
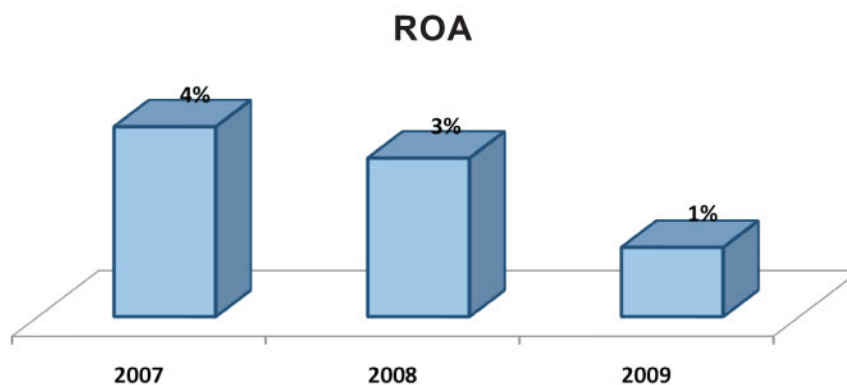
In 000 RSD	2007	2008	2009	Δ% 2009vs2008	Δ% 2009vs2007	Δ% 2008vs2007
Total income	602,777	997,484	1,658,680	66%	175%	65%
Total costs	494,500	865,749	1,579,650	82%	219%	75%
Net result	108,277	131,735	79,030	-40%	-27%	22%

Total cost increased every year over the past three years. Even though total income increased as well over the same period, costs experienced faster growth. Over a three year time period costs increased by 219% and income by 175%. Total cost consists of operating costs, financial costs and taxes. In 2009 operating costs experienced a most significant rise. The reason for such a sharp rise can be found in increase of amortization and reserves. Costs of amortization and reserves increased by 96% in 2009 due to increased volume of insurance activities and associated risks. Break down of costs is presented in the table below.

In 000 RSD	2009	%	2008	%	% 2009vs2008
Interest cost	17,999	5%	30,250	17%	-40%
Foreign exchange losses	105,021	28%	130,607	75%	-20%
Other financial costs – claims in insurance department	253,312	67%	13,338	8%	1799%
TOTAL:	376,332	100%	174,195	100%	116%

Total financial costs increased by 116%. Claims paid out are 18 times higher this year than the year before. Drop in the net income was a direct consequence of these increases.

Due to lower net result and increase in total assets, ratios ROA and ROE further dropped in 2009.



Placing solvency among top priorities, we successfully improved liquidity of our company. Short term liquidity was improved and long term liquidity remained at the balanced level.

	2007	2008	2009
Current ratio	1.02	1.87	2.78
Solvency Ratio	27%	19%	19%


Short overview of our activities and operations as well as business result proves that AOFI, despite challenges and difficulties that characterize both domestic and world economies, continued to support exporting activity of Serbian companies by protecting shareholders' interest and the trust that we were confided by the government of the Republic of Serbia.



CONCLUSION

Export credit agency (ECA) received a key role during the last financial crisis. Due to tightened financing and lower volume of good exchange, most of ECAs were given funds and greater mandate from the governments in order to increase economic activity. It was all triggered by banking sector once banks decided to tighten financing conditions, especially to the medium enterprises, dramatically decreasing the appetite for risk. Inter-banking and cross boarder financing are far from the size they had before the crisis. At the same time, on domestic market, commercial banks are more cautious when it comes to financing and insuring export, shortening terms which directly led to international trade contraction by 20 % during 2009. The largest exporting economies, such as Italian and German, experienced a drop in exports by 25%, representing the biggest fall since 1971 when precise records started to be collected. Raoul Ascaric, CEO of Italian ECA SACE commented that “All countries were forced to undertake specific economic measures through their ECAs, since banks stopped doing their job – approving the loans” adding that contractions were greatest in the project financing where terms are longer and amount and risks greater.

Therefore the stabilizing role of ECA in today's circumstances is unquestionable (private sector is not able to respond to the demand and in higher risk environment collect receivables from abroad). However, a question is naturally imposed on us: how long will ECAs have to replace commercial banks, and will that distort markets and competition?



In some countries, such as Sweden and France, export credit agencies experienced increase in insurance demand for about 400 % reflecting the extent of shocks that economies had to go through and had never lived through before. During 2009, French export credit agency COFACE approved 150 % more guarantees than the year before, which proves that ECAs have “contra-cyclical” role on the financial and insurance markets. “Our purpose is to be there when there is no market functioning. We are most needed in the situations like this” believes manager from insurance department in Coface. Furthermore it is important to point out that beside activities that famous agencies, such as Coface (France) and Euler Hermes (Germany), have many new export credit agencies were founded world wide not only due to the increase in demand but rather as a consequence of many governments' priorities. According to the information available at Prague club (associations that gather ECAs) newly founded export credit agencies are situated in United Arab Emirates, Brazil, Ireland, Lithuania, New Zealand and Vietnam.

RESPONDING TO THE CRISIS

As a response to the troublesome trends of export and its financing, governments of many countries strengthened capital of ECA and expanded their mandate. As an example, some of the agencies that only issued guarantees for exporting projects now included financing as well. However, it was not the new products that were necessarily needed but rather quick and flexible reaction as well as lower interest rates than the one that persist on the market. In Société Générale believe that “export credit agencies don't need new instruments and too much diversification. Exporters and debtors showed the need for longer terms and higher loan amounts approved, and ECAs were mostly able to satisfy the need.”

Export credit agencies from Nordic countries were the most efficient during the crisis; however the greatest increase experienced agencies in Asia which organized the network of reinsurer. In the short period of time Serv – ECA from the Switzerland - approved four new products focusing on the working capital (which will be in offer until the end of 2011 when the crisis is expected to be over) amortizing the recession effects of exporting companies from Switzerland.

During this crisis the agencies that reacted and responded to the crisis quickly were from Canada, USA and Asian countries since there were no administrative obstacles, while in European Union many countries had to ask for approval from the Brussels which led to significant time loss.

DIRECT FINANCING

Greatest challenge was how to provide liquidity to exporting companies and export oriented industries. In Israel agency Ashra established a new fund of 125 million dollars and in USA specialized Export-Import Bank (Ex-Im) increased the volume of new credits by 50%. Further more Ex-Im bank issued a new release of bonds and raised capital with the aim to finance specific exporting projects under the lower interest rates. First release of new bonds was in October 2009 when 415 million dollars was raised (maturity of bonds is 12 years, interest rate 3.46%). These funds were used to finance production of three new Boeing airplanes for the known buyer in Middle East.



Despite everything mentioned above, Export credit agencies are facing challenges of their own. Beside the increase of risky accounts receivable and claims that agencies are facing problem lies in poor organization and therefore adequacy to respond to all requests and application. After all, agencies were not set up to address and process large number of “short term deals” which proved necessary in 2009.

Taking into the account that government export credit agencies were founded in the twentieth century, during thirties, as a response to the great depression, agencies turned out to be protagonists of many economic cycles. Demand for trade and export financing and insuring depends on the volume of international trade, while supply is determined by the level of competition coming from similar private agencies. For example when risks and liquidity are at the balanced level, Ex-Im bank has stable volume of operations at the level of 13-14 billion dollars. However, in 2009 due to the crisis with liquidity and crash of private insurer (for example AIG), volume of business was over 20 billion dollars. Consequently we can expect that the markets, normalizing of economies and countries will lead ECAs to usual level of operations. It is common belief that at this point is too soon for ECAs to retreat. Furthermore, it is believed that due to prolonged consequence of economic crisis, export credit agencies will keep its crucial role in the future as well. We conclude that export credit agencies will indicate the end of crises, when the pressure imposed on them decreases we will know that the world economies recovered from the recession.

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