

ANNUAL
REPORT
2010



ANNUAL REPORT 2010



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CHAIRMAN'S STATEMENT

During the year 2010, Management Board consisting of: Ljiljana Trgovčević, chairman of the Board, Nenad Djunisijević, vice president and members - Julijana Vučković, Dejan Jokić and Jadranka Zenić Zeljković, held seven meetings and, in accordance with its legal and statutory authority, passed 21 decisions.

Management Board received the necessary information for continuous evaluation of Executive Board's results and compliance with AOFI's rules and procedures, thus enabling the adoption of appropriate decisions and reports.



Among adopted decisions I would like to point out and emphasize the following:

- the decision to insure exporters' receivables towards domestic legal entities,
- the decision regarding premium rates of uninsured percentage and charges for insurance of collection of receivables,
- adopting the new insurance policy form.

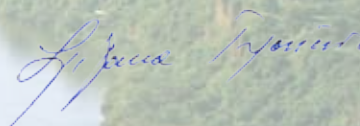
In the opinion of the Management Board, AOFI followed its planned strategy and es-

tablished business objectives. Management Board has no objections to the submitted report, and I confirm Annual Report of the Serbian Export Credit and Insurance Agency for the year 2010.

As a chairman of the Management Board, I will continue to strive to improve AOFI's corporate culture and effective implementation of business activities.

CHAIRMAN OF THE MANAGEMENT BOARD

Ljiljana Trgovčević



CHIEF EXECUTIVE'S STATEMENT

Serbian Export Credit and Insurance Agency is specialized to support the sustainable growth of the Serbian export economy. By carrying out its primary objective, despite the difficult economic situation in the country and the world, AOFI successfully completed the year 2010 with the net result of 462.923 million dinars. With notably non-bureaucratic approach of AOFI's employees, in just five years of operations we:

- financed exporters, through the short term financing, in the value of over 460 million Euros
- insured the export of goods and service in the value of 1,638,705,956 Euros
- paid claims in the amount of 4,115,740 Euros.

On annual basis AOFI insures exports in the value of 440 million Euros, realizes about 200 loans totaling 75 million Euros and buys out approximately 52 million Euros receivables from exporting companies.

In the period of market uncertainty, increased financial risk and low economic growth, AOFI contribut-



ed to the stabilization of domestic market and the export growth realized in the year 2010. In the turbulent times more domestic companies became aware of the importance and the value of insurance as well as the benefit of transferring the collection risk to the Agency. The increased demand for insurance services resulted in the growth of premium revenue of 166%. Continued development and increase in the volume of business of two financing sectors resulted in increase in interest revenue during 2010 by almost 20%. Operating costs decreased, and the number of paid claims is significantly lowered in respect to the previous financial year. Based on everything mentioned above, good financial result was an inevitable consequence.

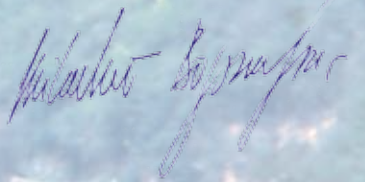
I would like to emphasize that, despite the financial crisis and challenges present in the domestic economy, AOFI preserved financial stability in its operations. Professionalism and

dedication of our employees is the prerequisite of achieved result. Continuous investing in education of the employees is a long term goal and the determination of AOFI's management.

Last year, in cooperation with government and foreign institutions we attended conferences and meetings where AOFI supported dialogue and constructive debate, all with the aim to find the best solution for Serbian exporters. Our business results prove that AOFI deserves and values the trust of our clients which obliges us to continue improving our products and services and to further strengthen the international position of Serbian export companies.

CHIEF EXECUTIVE OFFICER

Milanko Bogosavljević



AOFI – VISION, VALUE AND GOALS



AOFI's vision is the right to be our client's first choice and the leader in customer relationship.

Values, based on which AOFI has been successfully operating for six years are:

- ◇ Assisting clients to achieve their business objectives,
- ◇ Creating business environment where employees can advance and consequently provide the best service both to clients and AOFI,

- ◇ Creating a sound business climate in AOFI, and thus in the country,
- ◇ Diversifying operations,
- ◇ Preserving capital value,
- ◇ Protecting shareholders' interests.

Business development is founded on the strategic objectives that are set in accordance with the Law on the Serbian Export Credit and Insurance Agency and the business policy of the Agency. In order to provide financial support to the exporting enterprises, we have defined the following development plans:

- ◇ in the country, our goal is to become the undisputed leader in providing financial support to exporters,
- ◇ supporting sustainable economic development of Serbia,
- ◇ promote cooperation with similar institutions in the international market in order to exchange experiences and ideas and promote business insurance services.





MACROECONOMIC
OVERVIEW OF
THE YEAR 2010



After the collapse of financial markets and global economic crisis that followed, the world economy showed the first signs of recovery in the second quarter of 2009. However, the economic recovery in the world was not uniform and strong enough to provide a positive stimulus to the global economy. Due to the decrease in the foreign direct investments many projects were not completed which affected the decrease in economic activity, and thus trade and productivity. The year 2010 started with modest signs of economic recovery as well, but volatility caused by European bonds crisis prevailed in the second half of the year. Despite all economic turbulences that persisted in 2010, most countries experienced a slight economic boost in its activities.

Based on the public analysis conducted by economic experts, 2010 continued to be the year of challenges in Serbia. At the beginning of the year business indicators improved, but negative rating on the companies' activities prevailed. The basic problem of Serbian economy continues to be low liquidity of domestic industry. Weak demand, low prices and occasional shortage of importing raw materials present a limiting factor for entrepreneurs.

According to Statistical Office of the Republic of Serbia, the GDP increased by 1.5%. A strong downward trend in production that began in the fourth quarter was finally interrupted in December. Due to December recovery, the production reached its value from October. Compared to the highest production from the previous year, industrial activity fell by 3.5%. The low growth in production is largely the consequence of extremely poor result from the last quarter.

	2008	2009	2010
Economic activity			
GDP, current prices, billion RSD	2,772.5	2,815.0	3,073.5
GDP, current prices, million EUR	33,417.9	29,967.0	30,172.0
GDP per capita in EUR	4,546.5	4,093.4	4,138.0
GDP percentage change, real growth	5.5	-3.1	1.5
Industrial production, annual change, physical volume	1.1	-12.1	2.9

Source: Statistical Office of the Republic of Serbia

Strong increase in export economy definitely marked 2010. Even though the percentage change of export in comparison to the previous year was high (24%), the export of goods in 2010 did not overcome or achieve the value of goods' export in 2008. In comparison to 2009, the export of goods increased by 24%, while it was by 0.5% lower than in 2008. At the same time importing activity recovered in the second half of the year. Total import increased by 9.7% in 2010 compared to 2009. If compared to the value of imports in 2008, imports dropped in 2010 by 18.9%. Due to faster increase in



exporting activity compared to the imports, foreign trade deficit decreased by 5.7% with respect to the last year, and by 35.8% in respect to the 2008¹.

If we analyze the value of imports and exports in nominal terms, i.e. in dinars, growth rates are significantly higher, due to the depreciation of the local currency. Observed in dinars, there was a slight growth of deficit of 3.3%.

Export growth is largely based on growth of traditional products such as non-ferrous metals and grains. According to the global standardization of the world classification of products, most responsible for the growth of exports are: iron and steel (contributing export with 18.2%), non-ferrous metals (14.7%), electronic devices, appliances (10.8%), grains (6.6%). A significant increase in exports also had other products such as: mineral ore, vegetables and fruits, organic chemicals, oil and oil derivatives and so on.

Growth in imports was mostly achieved through importing the following products: oil and oil derivatives, ferrous metals and natural and manufactured gas, implying that the greatest effect on import growth was achieved through the increase of commodity prices.

Serbia increased the trade surplus with former Yugoslavian Republics in 2010, at the same time lowering the trade deficit with other foreign partners. According to the information available in "Macroeconomic analysis and trends" published by Economic Institute in Belgrade, export growth in former Yugoslavian countries was approximately 13%, while exports increased towards rest of the world by 29% in comparison to the 2009. Based on the available data, surplus with former Yugoslavian countries increased by 13.6% and deficit with foreign trade partners from the rest of the world was lowered by 3%.

	2008	2009	2010
Foreign trade and Balance of Payments			
Export of goods, million Euros	7,428.9	5,961.4	7,393.4
Import of goods, million Euros	16,478.1	11,504.6	12,621.9
Balance of payments result in million Euros	-7,054.0	-2,084.0	-1,836.1
Balance of payments result in %GDP	-21.1	-7.0	-
Foreign debt, million Euros	21,088.4	22,487.3	23,241.4 ²

Source: Macroeconomic analysis and trends" Economic Institute in Belgrade

High level of inflation remains one of the biggest macroeconomic challenges in the country. In 2010 the inflation of 10.3% was largely caused by increase in the food prices. Targeted inflation for 2011 was determined previously based on the Agreement with National Bank of Serbia and the Government of the Republic of Serbia and in accordance with "Memorandum of National Bank of Serbia about monetary policy" and there will be no changes for the following year. In correspondence with previously mentioned agreement, the expected inflation for 2011 is 4.5% with deviation of +/- 1.5%.

1 Percentage growth is calculated from the values expressed in euros

2 Podatak se odnosi na period od I-X 2010.godine

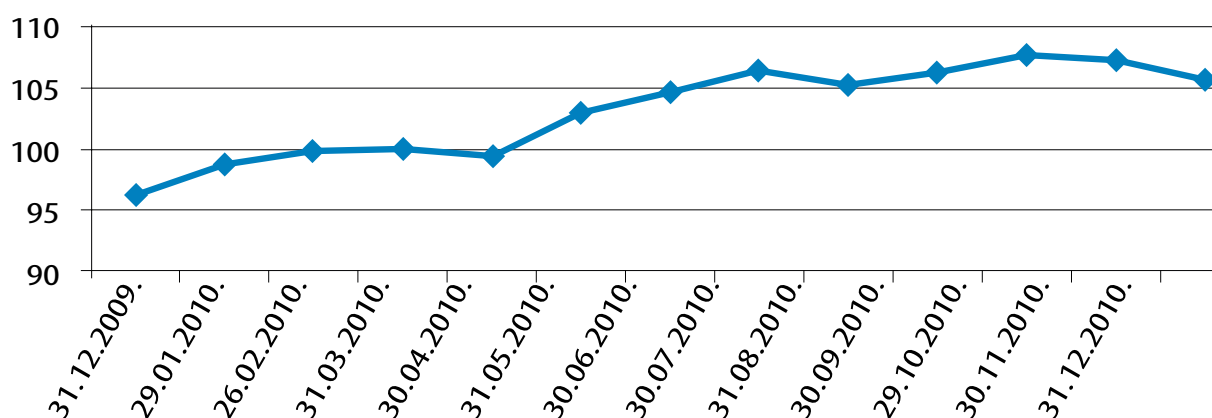


TARGETED INFLATION WITH APPROVED DEVIATIONS FOR THE 2011 AND 2012				
Month / Year	Targeted inflation Rate (%)		Deviation in percentage points	
	2011	2012	2011	2012
I	5.9	4.5	+/-2	+/-1.5
II	5.8	4.4	+/-1.9	+/-1.5
III	5.6	4.4	+/-1.9	+/-1.5
IV	5.5	4.3	+/-1.8	+/-1.5
V	5.4	4.3	+/-1.8	+/-1.5
VI	5.3	4.2	+/-1.8	+/-1.5
VII	5.1	4.2	+/-1.7	+/-1.5
VIII	5.0	4.2	+/-1.7	+/-1.5
IX	4.9	4.1	+/-1.6	+/-1.5
X	4.8	4.1	+/-1.6	+/-1.5
XI	4.6	4.0	+/-1.5	+/-1.5
XII	4.5	4.0	+/-1.5	+/-1.5

Source: National bank of Republic of Serbia

The official exchange rate for January 1, 2010 was 95.8888 dinars for one Euro and the exchange rate ended on December 31, 2010 with 105.4982 dinars for Euro. Dinar depreciated in the last 12 months by approximately 10%.

RSD/EUR Exchange rate in 2010



In the following period (first quarter of 2011) when the exchange rate is concerned, the relative stability is more probable than possible appreciation / depreciation.





AOFI – ACTIVITIES AND ACHIEVEMENTS IN 2010



Export Credit Insurance

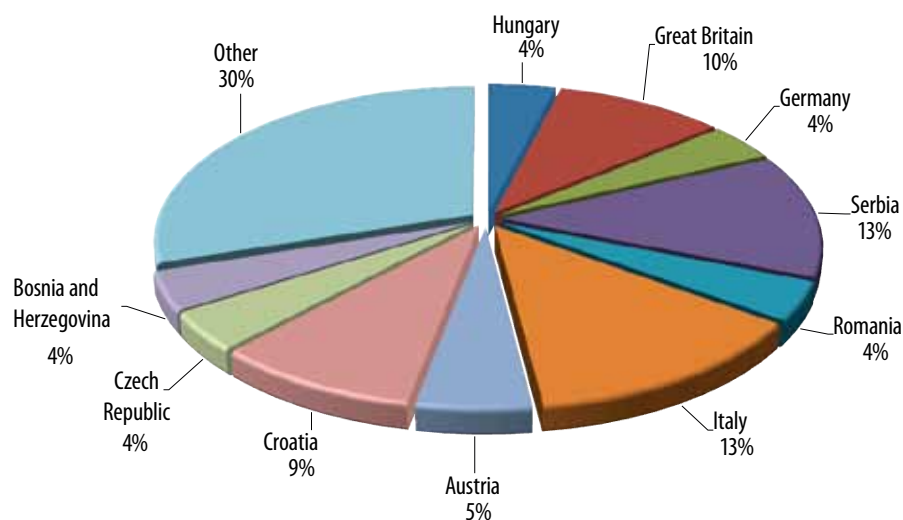
Realizing the importance of exports, Serbia has conceived its economic strategy on improving the export sector by ensuring a safe foreign currency inflows, strengthening macroeconomic stability, increasing production, employment, and allowing regular servicing of foreign debt.

Export credit insurance, as an important measure of Serbian export support, AOFI has implemented since 2006, providing a complete service that covers all phases of the export cycle - from preparing to export to the final payment of export business.

In 2010 there were 60 active insurance policies, which cover the limits approved towards 943 buyers in a total amount of 289,948,000 Euros. Through insurance policies 20 small and medium-sized companies, as well as 20 large enterprises were supported.

Through signed policies, AOFI established a territorial dispersion of risk (diversification of risk toward countries of buyers).

Diversification of portfolio w.r.t. countries

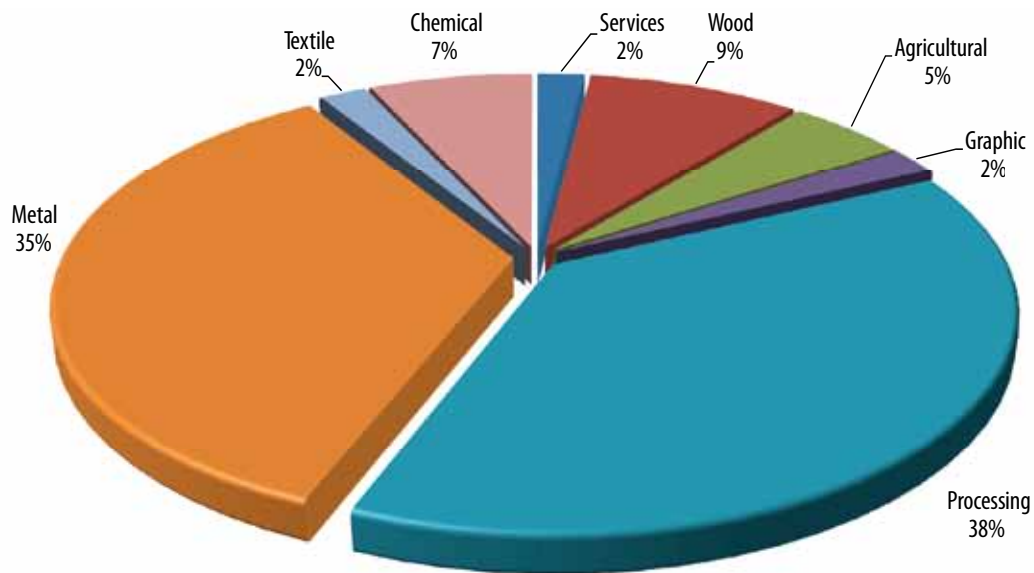


The overview of exposure in countries implies a distribution of risk in 41 countries, but at the same time concentration towards EU and the countries in the region. Serbia realizes 60% of its exports on EU markets, out of which 25% is realized in Italian market. There is a tendency to further improve cooperation with Italy and to extend it in the markets where Serbia has a privileged status, especially in Russia and Kazakhstan.

Along with the diversification of portfolio with respect to exporting countries, management in AOFI pays attention to industry diversification.



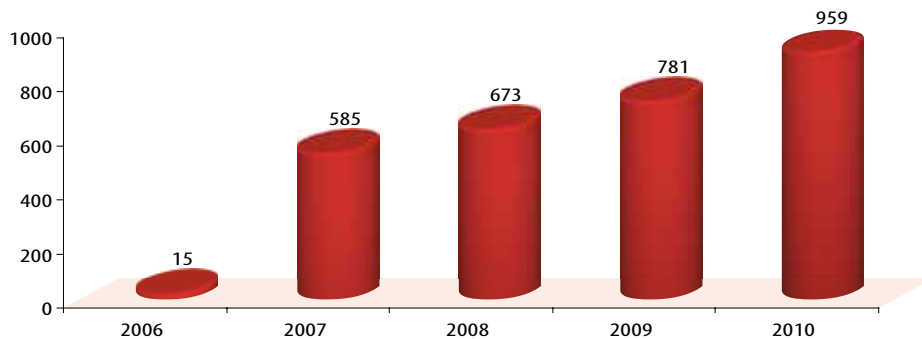
Diversification of portfolio w.r.t. industries



In the structure of the basic portfolio, dominant industries are: processing 38%, metal 35% and wood industry with 9%. Free trade agreement between Serbia and Russia applies to approximately 96% of goods from customs nomenclature. Free Trade Agreement allows tax free export of furniture to Russia and at the same time to Belarus and Kazakhstan. This could have a positive impact on increased participation of wood processing industry in the total export of Serbia.

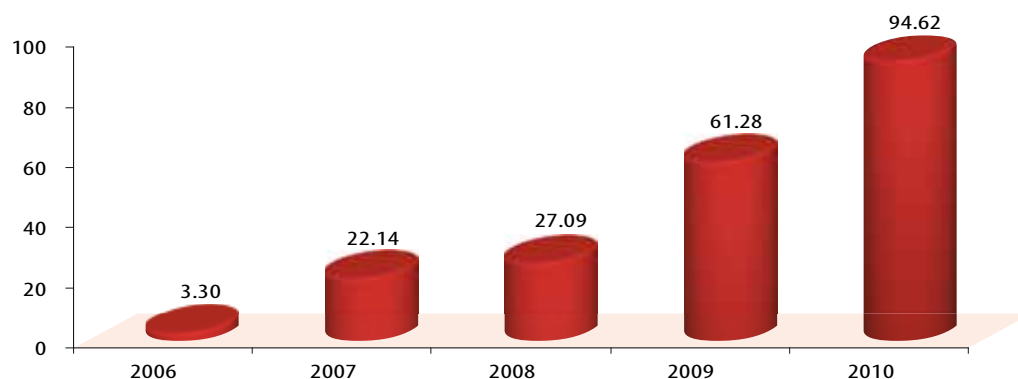
The number of approved limits in 2010 has continued to grow. Out of 959 approved limits towards foreign buyers, 566 is from the basic portfolio, while 393 limits are from fronting policies. The results for 2007 and 2008 presented in the graphic below are collective ones for AOFI and SMECA.

Number of foreign buyers` limits



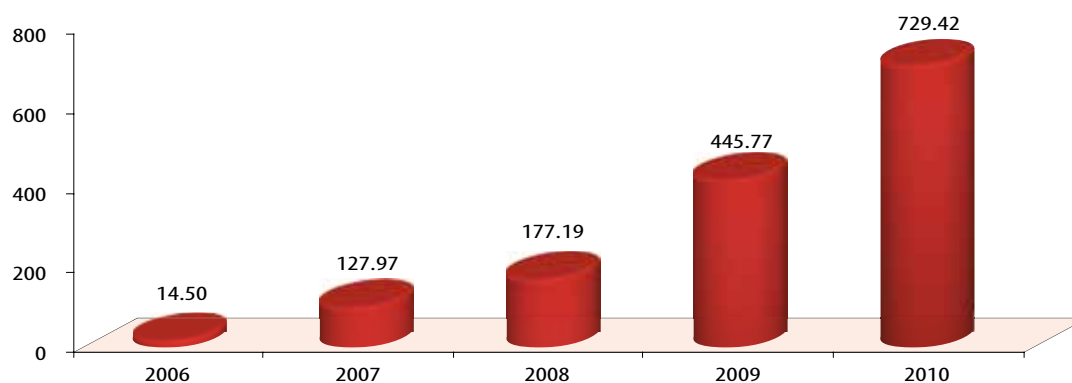
The increase in the number of approved limits in 2010 and their appropriate use has resulted with increased value of exports of primary insured portfolio. The increase was from 61.28 million in 2009 to 94.62 million euros in 2010.

Value of the insured export in mil. EUR



The insurance premium largely reflects the risk of the buyer's country. Collected premium rate in the amount of 729.415 Euros, representing increase of 61% with respect to the previous year, contributed to the positive business result achieved in 2010.

Insurance premium (000Euros)

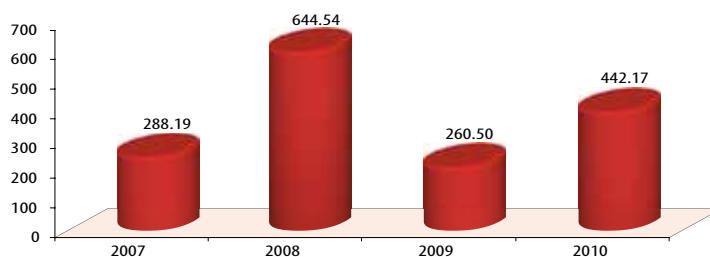


In addition to the management of basic portfolio, Sector for Insurance provides export credit insurance of large, multinational companies. In this portfolio there are three policies with limits approved in the amount of 235,270,000 euros, towards 393 buyers from 26 countries. The dominant position in fronting portfolio has the metal industry with the share of over 80%.



Premiums from basic portfolio amounted up to 1,519,337 EUR in 2010, while the value of insured export reached 442,173,325 EUR representing the increase of 60% in comparison to the previous year (260,504,676 EUR – 2009).

Value of the insured export in mil. EUR



Export credit insurance is particularly important for economic entities such as Serbia, which are in the initial stage of appearance on the international market, facing many risks as limiting factors in the internationalization of their business. Thus introduction and education of exporters about benefits of export credit insurance is of crucial importance. In particular, in the occurrence of the insured event, the collection of the insured percentage is obvious providing that the liquidity of exporter's company is preserved.

In 2010 AOFI received 46 claim requests, out of which 26 are closed. The value of 14 paid claims amounted up to 836,514.13 EUR. Compensation from reinsurers, based on the claims paid out, was 656,780.42 EUR while the share of the insurer i.e. AOFI and reinsurer in the recovery, based on the claims paid out in 2010, was 1,593 EUR.

AOFI actively participated in Berne Union Prague Club Autumn meeting held in Croatia.



Export Financing

AOFI has special mandate to provide financial institutional support to Serbian export companies in their efforts to penetrate foreign markets. Local companies need financial support mainly in the area of working capital financing. Taking this fact into the account AOFI additionally positioned its two financing products: a) factoring and b) short term financing.

Sector for Factoring

In Serbian financial market increasing number of institutions recognizes factoring as a product that easily finds its way towards clients. Profitability of factoring increases the number of companies that offer factoring services. Even though the competition in providing factoring services has increased, AOFI still achieved significant results. Through cooperation with 69 companies, AOFI had a turnover of 52,318,751.64 EUR.

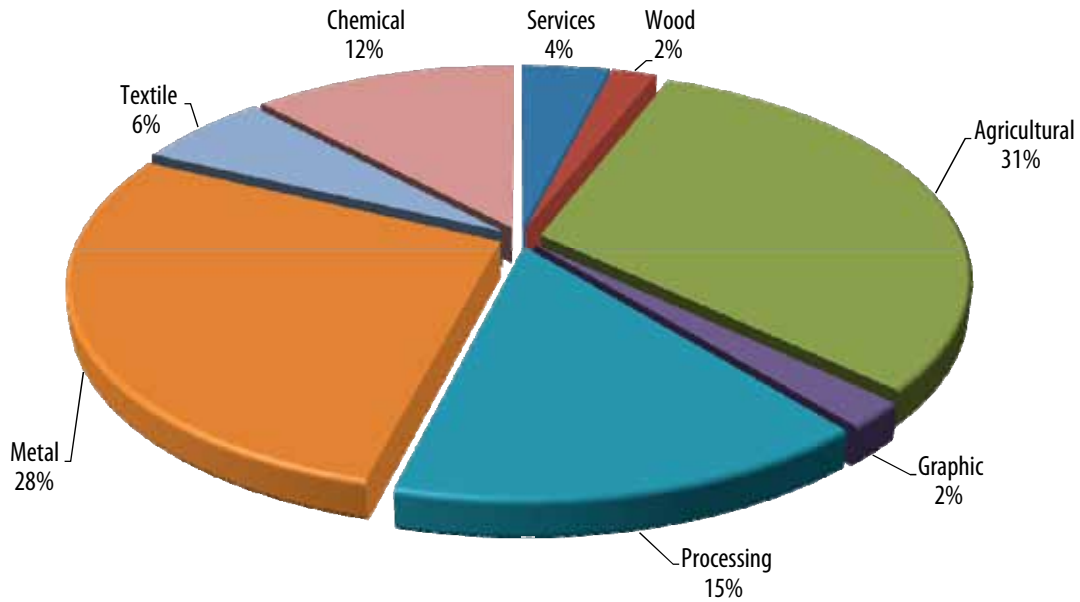
BUSINESS ACTIVITY OF SECTOR FOR FACTORING IN 2010.

Total turnover	52,318,751.64 evra
International factoring	35,688,154.50 evra
Domestic factoring	16,630,597.14 evra
Number of active contracts	68
Number of international factoring contracts	51
Number of domestic factoring contracts	17
Total number of transactions	4115
Number of transactions in international factoring	2110
Number of transactions in domestic factoring	2005

In the portfolio of Sector for Factoring dominantes agricultural (31%) and metal industry. AOFI through factoring enables financing of products such as: fruits, dairy and confectionery products, rail vehicles, electric cookers, boilers and parts for auto industry.

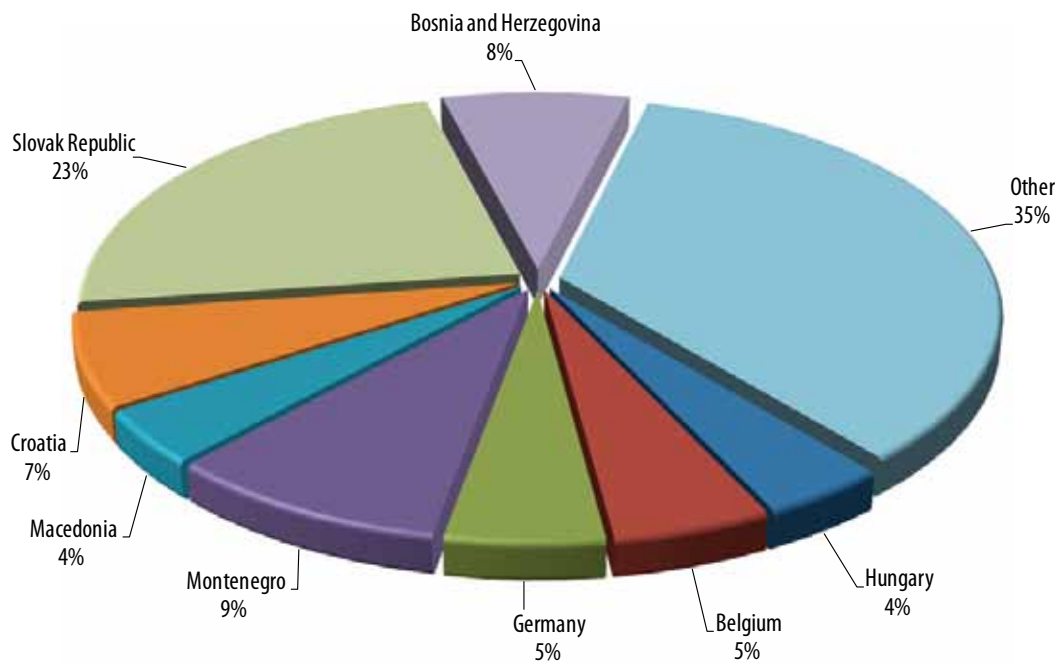


Portfolio diversification w.r.t. industries



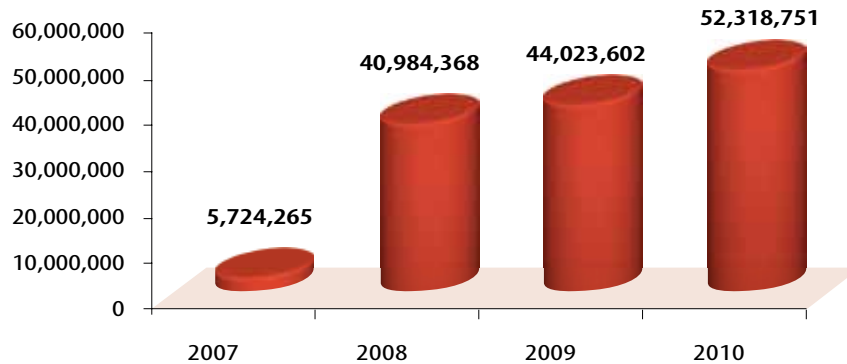
Buyers of AOFI's clients come from 31 countries. Our clients cooperate mainly with companies from Slovak Republic. If the bad and doubtful debts are eliminated and taken into the account the financing of less risky clients, AOFI does business with 159 customers from abroad.

Portfolio diversification w.r.t. exporting markets



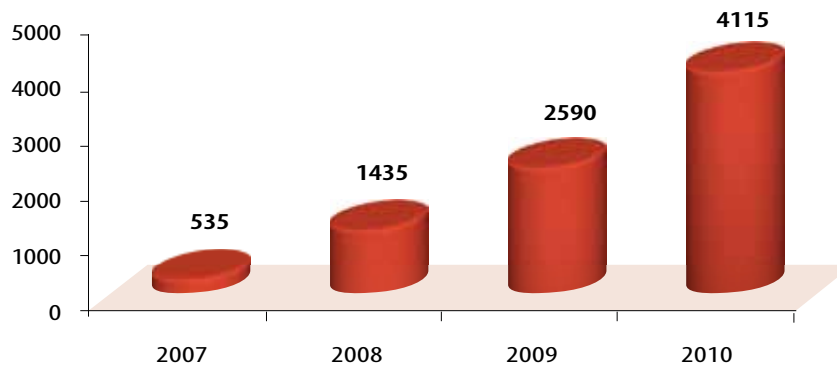
Sector for Factoring experiences constant increase in turnover since its foundation. Only in 2010 annual turnover increased by 18.84%.

Annual turnover of Factoring Department



Annual turnover in 2010 was achieved through 4,115 transactions, which represents an increase in comparison to year 2009 of 59%.

Annual number of factoring transactions



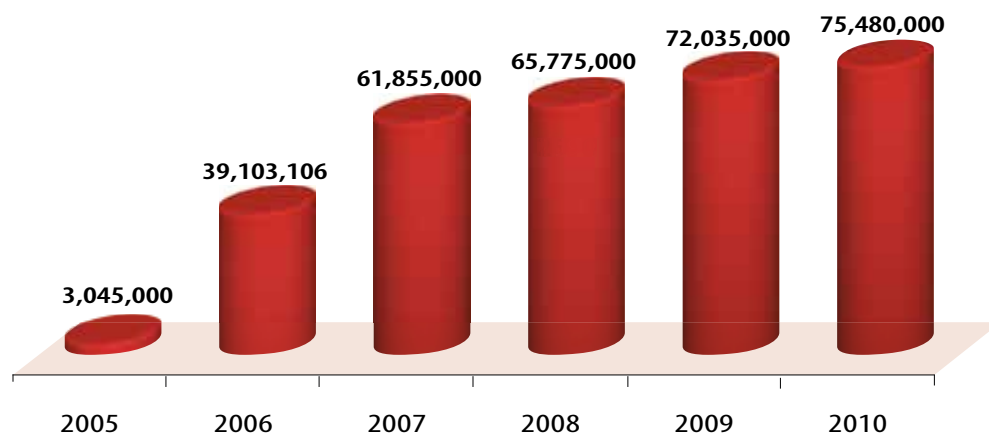
Due to lower default risk and increase of company's liquidity, increasing number of local companies are turning towards the use of factoring with insurance. Joint use of factoring and insurance allows companies to give it's customers longer terms of payments and therefore increase its competitiveness on foreign markets.

Sector for Loans and Guarantees

Short Term Crediting

Sector for loans and guarantees represents foundation of strong development of AOFI. From the day first credit was launched till the end of year 2010, AOFI realized 924 credits in the total value of 317,293,105.84 EUR.

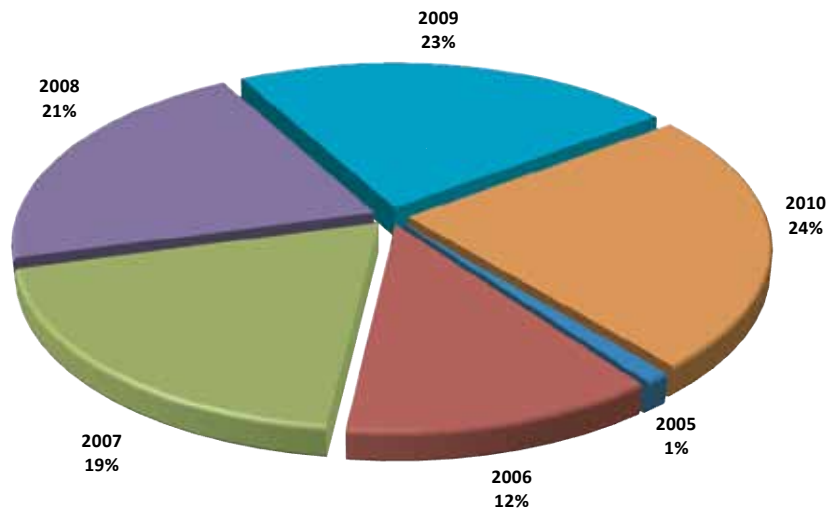
Total value of approved loans



With the help of AOFI, the clients realized export contracts in the amount of 272,500,000 EUR. AOFI declined six credit requests in the amount of 900,000 EUR since lending and other mandatory criteria were not met.

With 75,480,000 EUR, in 2010 AOFI offered the biggest financial support since its foundation, realizing 24% of all credits approved.

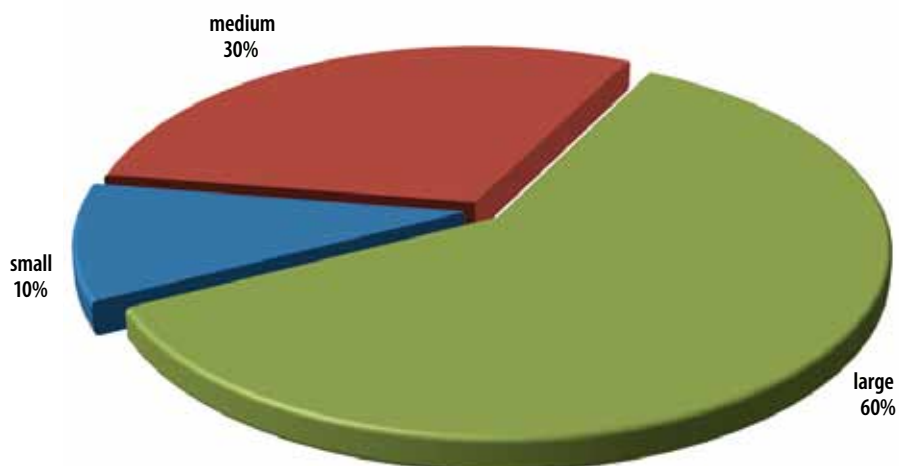




Weighted average interest rate in 2010 was 4.25%, which is 0.2% higher than in the previous year. Loans are granted for a period of 1 to 12 months. According to the repayment plan, interest is paid in monthly installments, while principal is returned before the expiration of the loan, in monthly installments, as well. In 2010, 78% of the realized loans were granted with a maturity of up to six months, and 22% of loans had maturities in 12 months.

In order to implement the balanced development of export enterprises, AOFI takes care to provide support to businesses of all sizes. The small and medium-sized companies are represented with 40% in the portfolio of AOFI.

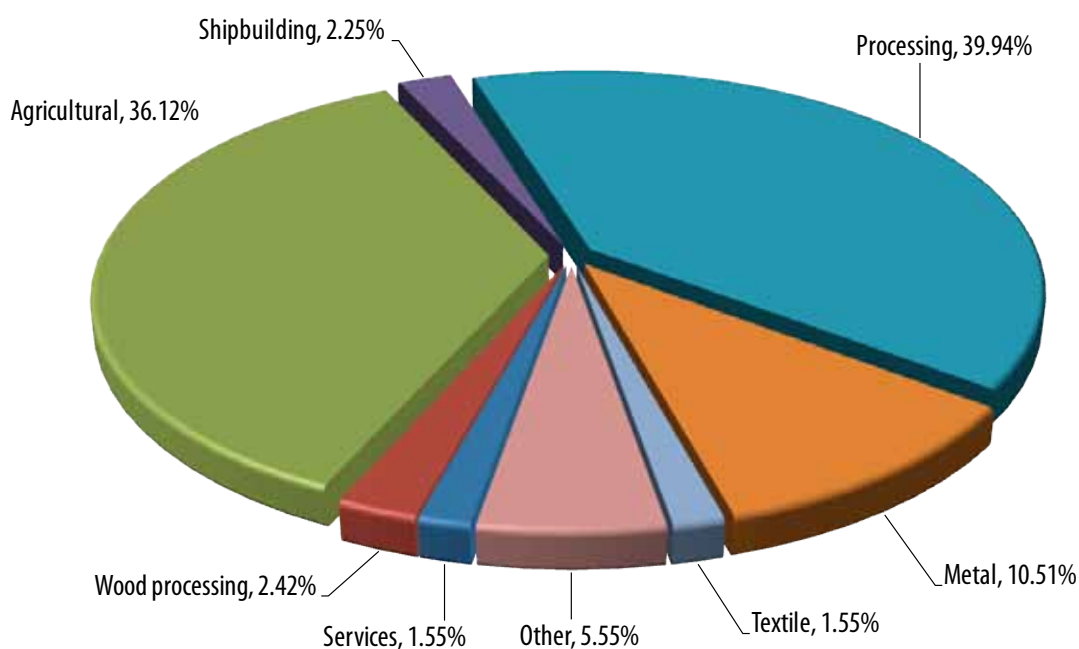
Portfolio diversification w.r.t. enterprise size



In the period between 2005 and 2010 AOFI supported exporting activity of 260 companies. Number of our clients had increased every year and in 2010 we conducted business with 146 enterprises. According to the custom records, AOFI clients, exported goods in the value of 822,627,259.15 EUR and AOFI financial support amounted up to 10.8% of their export.

The largest representation in AOFI credit portfolio have companies that operate within processing industry, in the amount of 30,150,000 EUR representing 40% of all realized loans in 2010. Companies that conduct their business within agricultural (36%) and metal (11%) industries are also largely present in AOFI portfolio.

Portfolio diversification w.r.t. industries

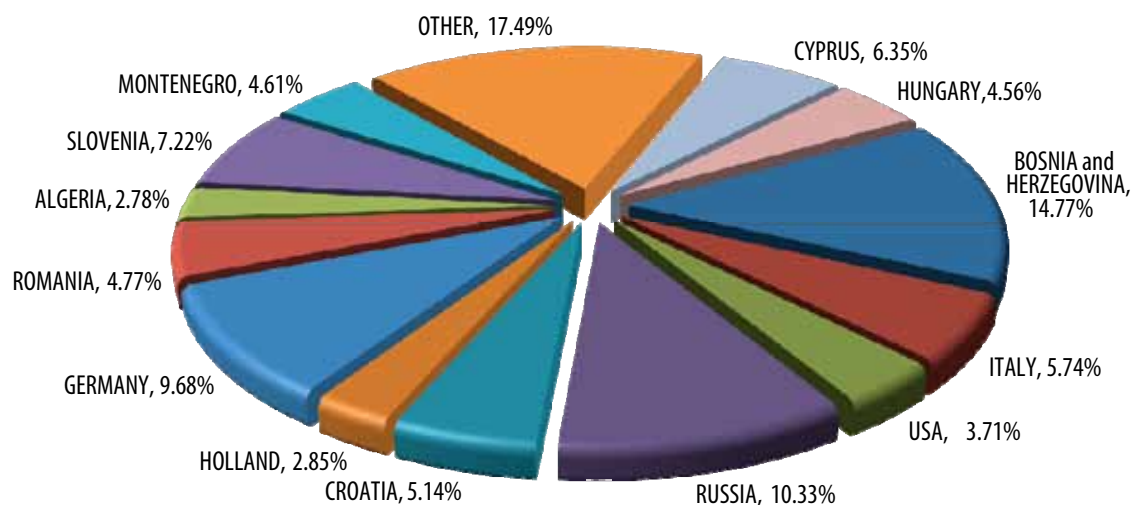


So far, Agency credited companies from all regions of Serbia except from southern region of Kosovo and Metohija. Regional distribution of loans was concentrated in the regions that had the highest growth in export activities.

Our clients concluded most of their exporting contracts with the partners from European Union. Almost 50% of financed contracts were realized in EU – greatest foreign trade partner of Serbia, followed by contracts realized in ex-Yugoslav republics - 25%, and Russia - 10%. By financing exporting contracts, AOFI helped and enabled export to Bosnia and Herzegovina in the amount of 11,500,000 EUR, Russia - 7,795,000 EUR, Germany - 7,310,000 EUR, Slovak Republic - 5,450,000 EUR and 4,790,000 EUR to Cyprus.



Portfolio diversification w.r.t. export countries



In order to ensure more efficient support to exporters and in addition to granting loans under favorable conditions, in cooperation with similar institutions AOFI provide its clients with information on solvency of its clients or potential ones. In this way, AOFI helped clients in the selection of foreign customers by reducing the risk of collection of receivables to a minimum.

AOFI in 2010 cooperated with the Serbian Investment and Export Promotion Agency, Regional centre for export support in Leskovac, SME Agency and regional chambers of commerce by participating in numerous seminars and presentations designed for exporters, especially small and medium enterprises.

Sector for Guarantees

Due to customer requirements, AOFI performs the duties of guaranteeing for the beneficiaries located abroad. According to the customer needs AOFI issues performance guarantees, such as: bid bonds, guarantees for performance, advance payment guarantees, retention and maintenance guarantees.

In 2010 extensions for advance payment and performance guarantees were provided for companies that conduct investment projects in Algeria due to procedures for receiving documentation by investors, in the amount of 414,569.40 EUR and 376,954.27 USD. On December 31, 2010 AOFI has performance guarantees in the amount of 590,910.26 EUR and 485,596.26 USD with maturities up to 2012. Issued guarantees enabled the export value of approximately 20 million EUR.



A white bird, possibly a pelican, is captured in mid-flight over a large body of water. The bird's wings are fully extended, showing a mix of white and dark feathers. In the background, a large, dark blue bridge pylon stands prominently on the right side. The water is a deep blue, and the sky is a pale, hazy blue. The overall scene is serene and natural.

INCOME STATEMENT

BALANCE SHEET

STATEMENT OF CHANGES IN EQUITY

CASH FLOW STATEMENT

INDEPENDENT AUDITOR'S REPORT

INCOME STATEMENT in thousands RSD

	Note	2010	2009
OPERATING INCOME		413	506
Sales		413	506
Other operating income		-	-
OPERATING EXPENSES		(346,713)	(312,478)
Costs of material	5	(4,229)	(3,282)
Wages, salaries and other personnel expenses	6	(94,305)	(73,024)
Depreciation and provisions	7	(67,762)	(147,242)
Other operating expenses	8	(180,417)	(88,930)
OPERATING PROFIT/LOSS		(346,300)	(311,972)
Financial income	9	1,659,668	1,517,610
Financial expenses	10	(198,975)	(376,332)
Other income	11	347,635	140,564
Other expenses	12	(948,434)	(888,664)
PROFIT BEFORE TAX		513,594	81,206
Tax expense for the period	13	(51,118)	(5,946)
Deferred tax expense for the period			
Deferred tax income for the period	13	447	3,770
NET PROFIT		462,923	79,030
EARNINGS PER SHARE	19	8.94	1.52

BALANCE SHEET in thousands RSD

	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets		39,356	31,696
Intangible assets	14	5,568	6,944
Equipment	14	5,774	5,490
Equity investments	15	28,014	19,262
Current assets		7,240,506	6,820,383
Inventories		1,757	663
Accounts receivable	16	1,106,778	1,101,591
Receivables for overpaid taxes			5,979
Short-term financial placements	17	5,975,130	5,596,488
Cash and cash equivalents	18	115,848	101,504
Value added tax, prepayments and accrued income		40,555	14,158
Deferred tax assets		438	-
TOTAL ASSETS		7,279,862	6,852,079
EQUITY AND LIABILITIES			
Equity	19	6,330,503	5,907,096
Capital		5,177,000	5,177,000
Reserves		666,871	651,066
Retained earnings		486,632	79,030
Long-term provisions and liabilities		648,043	304,944
Long-term provisions	20	117,338	304,791
Long-term liabilities	21	530,705	153
Current liabilities		301,316	640,030
Short-term financial liabilities	22	168	432,073
Accounts payable	23	229,373	173,989
Other short-term liabilities		-	38
Other current liabilities, accruals and deferred income		29,654	33,930
Income taxes payable		42,121	-
Deferred tax liabilities		-	9
TOTAL EQUITY AND LIABILITIES		7,279,862	6,852,079
OFF-BALANCE SHEET ASSETS	25	4,776,889	8,588,023

STATEMENT OF CHANGES IN EQUITY in thousands RSD

	Capital	Share issuing premium	Statutory reserves	Retained earnings	Total
Balance as of: 1 January 2009	2,000,000	140,264	37,877	472,625	2,650,766
Increase of capital	3,177,000	-	300	-	3,177,300
Transfer to reserves	-	-	472,625	(472,625)	-
Profit for the year	-	-	-	79,030	79,030
Balance as of: 31 December 2009	5,177,000	140,264	510,802	79,030	5,907,096
Payment of dividends	-	-	-	(39,515)	(39,515)
Transfer to reserves	-	-	15,806	(15,806)	-
Profit for the year	-	-	-	462,923	462,923
Balance as of: 31 December 2010	5,177,000	140,264	526,607	486,632	6,330,503

CASH FLOW STATEMENT in thousands RSD

	2010.	2009.
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows from sales and received advances	1,206	356
Received interests from operating activities	274,068	229,638
Other inflows from operating activities	210,522	112,674
Outflows from payments for trade payables and advances paid	(145,512)	(80,964)
Outflows from payments to employees and on behalf of employees	(96,251)	(73,457)
Outflows from paid interest	(4,512)	(17,999)
Outflows from income taxes	(2,701)	(14,381)
Outflows from other tax liabilities	(4,107)	(4,664)
Net cash from operating activities	232,713	151,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Received interest from investing activities	92,521	71,637
Inflows from other financial investments	22,683,191	21,468,705
Outflows from fixed assets purchases	(2,093)	(2,470)
Outflows from other financial investments	(23,051,794)	(21,367,424)
Net cash used in investing activities	(278,175)	170,448
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflow from other long-term and short-term liabilities	500,000	-
Outflows from financial leasing	(624)	(831)
Long-term and short-term loans and other liabilities (net outflow)	(445,127)	(281,625)
Paid dividends	(8,810)	-
Net cash from/(used in) financing activities	45,439	(282,456)
Net cash inflow/(outflow)	(23)	39,195
Cash at the beginning of year	101,504	62,309
Foreign exchange gains arising from cash translation	14,475	-
Foreign exchange losses arising from cash translation	(108)	-
Cash at the end of year (Note 18)	115,848	101,504

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of a closed joint stock company "Export Credit and Insurance Agency of the Republic of Serbia" a.d., Belgrade (hereinafter: the "Agency") which comprise the balance sheet as of 31 December 2010, 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 accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting and Audit ("Official Gazette of RS", no. 46/2006 and 111/2009), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 are free from material misstatement.

An audit involves performing procedures 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 financial statements in order to design audit procedures that are appropriate in the circumstances, 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
Export Credit and Insurance Agency a.d., Belgrade (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Agency as of 31 December 2010, and its financial performance and its cash flows for the year then ended, in accordance with the accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting and Auditing, and accounting policies disclosed in Notes 2 and 3 to the financial statements.

Emphasis of Matter

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 9 to the financial statements, financial income in 2010 amounting to RSD 1,659,688 thousand, includes the amount of RSD 586,517 thousand representing the income from the Agency's main activities. Our opinion is not qualified in respect of this matter.

Belgrade, 4 March 2011



Danijela Krtinić

Danijela Krtinić
Certified Auditor





AOFI – FINANCIAL RESULTS 2010

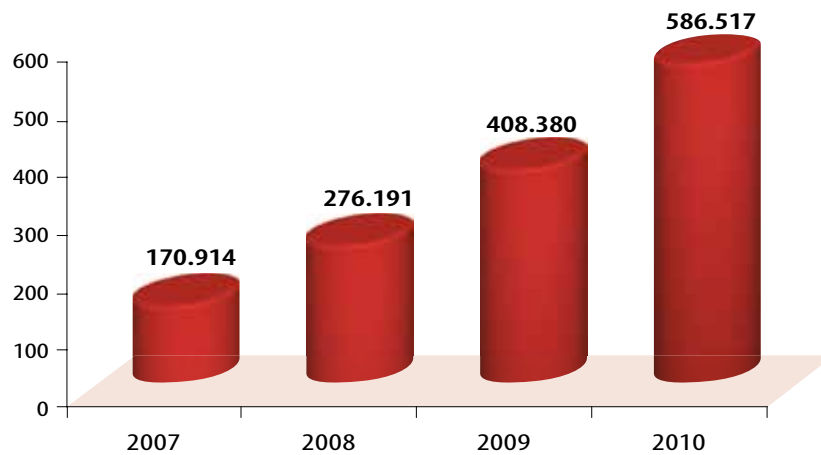
Strong net result that AOFI achieved in 2010 was primarily a result of following business principles that are reflected in the preservation of capital value and sustainable business growth. Continuous investment in AOFI's development is based on strengthening the fundamentals of our business:

- revenue growth is followed by reduction in expenditures, primarily interest cost and payment of insurance claims,
- a good independent review of operations and access to all activities are necessary conditions of development and achievement of strategic results.

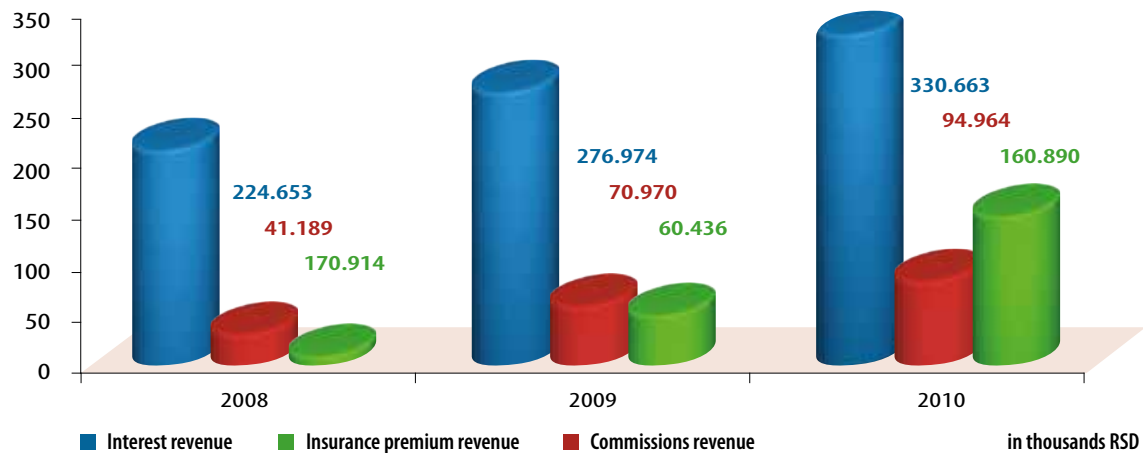
AOFI completed 2010 with a good net result in the amount of 462.2 million RSD. Strong result came out as a natural consequence of reduction in interest expense (-75%) and in insurance claims paid out (-65%) with respect to the previous year. At the same time, decrease in expenses was followed by increase in revenues from AOFI's operating activities by 44% with respect to 2009.



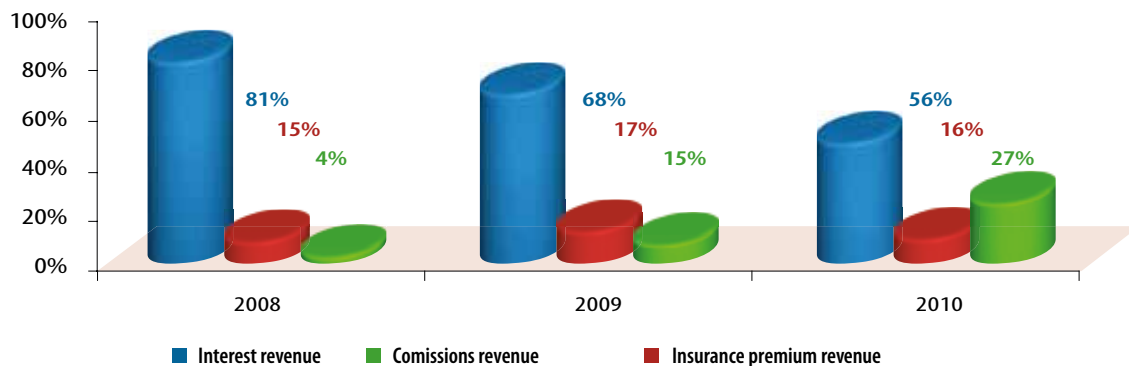
Operating activities` revenue in 000 RSD



Total revenue from operations is constituted of: interest revenue, commissions, and insurance premium. Increase in all components from operating activities was achieved in 2010.

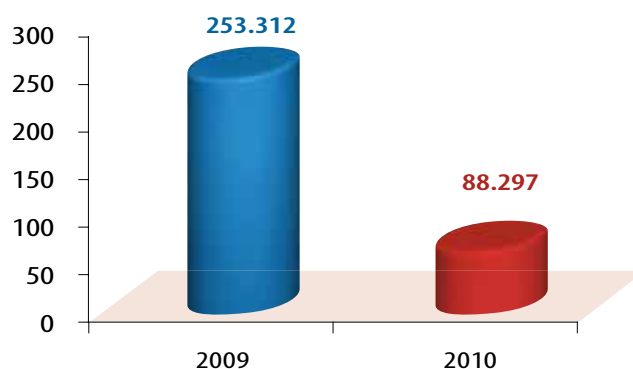


Sector for Insurance continued with aggressive development in 2010, as well. With the increase of 166% in total operating revenue, insurance premium revenue amounted up to 27% of total operating revenue, while in 2009 it constituted 15%.



In 2010 AOFI paid out several claims with respect to insurance against commercial risk. The biggest amount of claims was submitted by following insured clients: Tarkett from Bačka Palanka (31.751 thousand dinars), Tarkett Trade from Bačka Palanka (10.561 thousand dinars), Fabrika kartona Umka from Umka (10.193 thousand dinars). The value of claims paid out decreased in 2010 by 65% in comparison to 2009.

Expenses for claims paid out in 000 RSD



Due to good business result achieved in 2010, basic earnings per share increased from 1.52 RSD to 8.94 RSD. Stable result in return on equity was followed by good ROA result. Strong assets positions, good relation between receivables and revenues, as well as balanced liabilities, prove AOFI's sound financial position.

	2007	2008	2009	2010
ROA	4 %	3 %	1 %	2 %
ROE	4 %	5 %	2 %	2 %
EPS	5.41	6.59	1.59	8.94

The year behind us represents sixth successful year of AOFI's operations. Thanks to the good team of employees who always find the best solution for clients, we confirmed, yet again, our position in financial markets, and proved that we are indispensable element in the further development of the export economy of the Republic of Serbia.









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