Ladies and Gentlemen,

I would like to present the Annual Report comprising business activities of the Export Credit Insurance Corporation Joint Stock Company (KUKE S.A.) in 2009.

2009 was a particularly strenuous year for the global economy. The demand for Polish goods dropped significantly due to recession which hit Poland’s major trading partners. The dwindling demand concerned not only consumer goods, but also capital goods. When speaking of the latter one can even call it a slump. The economic crisis caused a massive withdrawal of banks from financing long-term investment projects. Entrepreneurs, however, also encountered difficulties in obtaining working capital credits necessary for current business operations – including exports.

The mission of KUKE S.A. is to create conditions favorable for promoting Polish exports on credit terms and to strengthen the position of Polish exporters as well as their products and services on the international market. However, in response to expectations clearly voiced by entrepreneurs, in 2009 KUKE S.A. began to offer a wider scope of cover with regards to domestic transactions. Consequently, for the first time in the Corporation’s history, the volume of domestic transactions covered by KUKE S.A. surpassed the export receivables portfolio insured by the Corporation. The dynamic growth of domestic business is visible in the following figures: in the first months of 2009 domestic receivables amounted to PLN 260-380 million, whereas in November and December they stood at around PLN 1 billion.

Currently we provide insurance coverage of domestic receivables as well as export receivables from nearly all foreign markets. We address our services to all Polish enterprises, regardless of size or business sector.

I would like to sincerely thank our clients for their cooperation and the trust they have placed in us. We will make the utmost efforts to broaden the scope services on offer, and to systematically improve their quality.

Also, I would like to thank members of the Supervisory Board, members of the Management Board, and all the staff for their commitment and effort in working towards strengthening the position of KUKE S.A.

Yours faithfully,

Zygmunt Kostkiewicz
President of the Management Board of KUKE S.A.
According to the Central Statistical Office, the gross domestic product (GDP) in 2009 grew in real terms by 1.8% compared to 2008 (when the GDP grew by 5.1%). Opposite to GDP, internal demand fell by 1.0% (in 2008 internal demand grew by 5.6%).

The average annual rise in consumer prices was lower than in 2008 (3.5% compared to 4.2% in 2008). However, the December-to-December rate of inflation was higher – 3.5% compared to 3.3% in 2008.

The main interest rate of the National Bank of Poland – the reference rate – fell from 4.25% to 3.5% in the period from January to December 2009. The average annual reference rate stood at 3.67% compared to 5.73% in 2008.

In 2009, compared to the previous year, Polish currency continued to weaken significantly against both EUR and USD. The annual average EUR exchange rate in 2009 was 4.33 PLN (3.52 PLN in 2008), while the annual average USD exchange rate stood at 3.12 PLN (2.41 PLN in 2008). The exchange rate of the Polish zloty in 2009 had fluctuated significantly. As at the end of the year the EUR exchange rate stood at 4.11 PLN, and the USD exchange rate came to 2.85 PLN.
According to EUROSTAT, in 2009 the GDP in the euro zone shrunk by 4.1%, compared to a growth of 0.6% in the previous year. In relation to 2008, the annual growth rate in the US and Japan also fell, reaching -2.4% and -5.2% respectively.

The GDP growth rates between 2008 and 2009 in selected countries are shown below:

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>5.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2.5</td>
<td>-4.1</td>
</tr>
<tr>
<td>USA</td>
<td>0.4</td>
<td>-2.4</td>
</tr>
<tr>
<td>Germany</td>
<td>1.3</td>
<td>-4.9</td>
</tr>
<tr>
<td>France</td>
<td>0.2</td>
<td>-2.6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-0.1</td>
<td>-4.9</td>
</tr>
<tr>
<td><strong>Euro zone</strong></td>
<td><strong>0.6</strong></td>
<td><strong>-4.1</strong></td>
</tr>
<tr>
<td>Japan</td>
<td>-1.2</td>
<td>-5.2</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2.8</td>
<td>-14.8</td>
</tr>
</tbody>
</table>

Source: EUROSTAT (July 2010)

Due to the global economic crisis, in spite of Polish currency weakening against EUR and USD, Polish exports noted a drop when counted in EUR and USD. According to data of the Central Statistical Office, in 2009 exports amounted to USD 136.72 billion (98.27 billion EUR), which was a 20.4% decrease compared to 2008 (and 12.5% less when expressed in EUR; when counted in PLN export in 2009 grew by 4.5%). Imports dropped slightly faster, namely by 28.9%, reaching the total of USD 149.57 billion (EUR 107.53 billion, a drop by 24.5%). As a result, commodity exchange deficit reached the level of USD -12.85 billion (EUR -9.25 billion) compared to USD -38.62 billion in 2008.
In 2009, the share of developed countries in total exports (expressed in USD) amounted to 85.6% (of which 79.6% belonged to the EU market), compared to 83.0% (77.8% accordingly) in 2008. The share of Central and Eastern European countries in the geographical distribution of exports came to 7.5% (compared to 10.3% in 2008). The most significant decrease in exports, that of 42.3%, was noted with respect to Central and Eastern European countries.

The share of Germany in Polish exports in 2009 grew by 1.1%, amounting to 26.1%. Among the primary trading partners, the lowest decrease in turnover was posted for exports to Italy, United Kingdom, France, Germany, Spain, Netherlands and the Czech Republic. As far as imports are concerned, the least significant drop was noted regarding South Korea, China and the Netherlands. The exchange with the top ten of our trading partners constituted 68.0% of total exports.

**Structure of Polish exports in 2009 according to group of countries (USD)**

- **Developed countries**
  - including EU: 85.6%

- **Central and Eastern Europe**: 7.5%

- **Developing countries**: 6.9%
Shareholders and share capital
As at 31 December 2009, the share capital of KUKE S.A. amounted to PLN 79,775,800 and was divided into 797,758 ordinary registered shares with a nominal value of PLN 100 each. Between 31 December 2008 and 31 December 2009 the structure of the share capital did not change and was as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>Nominal value of shares</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>The State Treasury represented by the Minister of Finance</td>
<td>700,828</td>
<td>70,082.800</td>
<td>87.85</td>
</tr>
<tr>
<td>Bank Gospodarstwa Krajowego BP</td>
<td>96,930</td>
<td>9,693,000</td>
<td>12.15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>797,758</strong></td>
<td><strong>79,775.800</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Supervisory Board
The composition of the Supervisory Board of KUKE S.A. from 1 January 2009 until 28 August 2009 was as follows:
Katarzyna Przewalska,
Małgorzata Galin,
Ireneusz Fąfara,
Stanisław Hebda,
Igor Mitroczuk,
Robert Sochacki,
Jacek Zieliński.

Due to resignation of Ireneusz Fąfara from the post of Member of the Supervisory Board, on 30 October 2009, the Extraordinary Shareholders’ Meeting appointed Jerzy Kurella to the Supervisory Board of KUKE S.A. In effect, as of 30 October 2009 the composition of the Supervisory Board was as follows:
Jerzy Kurella,
Katarzyna Przewalska,
Małgorzata Galin,
Stanisław Hebda,
Igor Mitroczuk,
Robert Sochacki,
Jacek Zieliński.
Members of the Supervisory Board elected Jerzy Kurella as Chairman of the Supervisory Board. As at 31 December 2009, the composition of the Supervisory Board of KUKE S.A. was as stated above.

**Management Board**

From 1 January 2009 until 31 December 2009, the composition of the Management Board of KUKE S.A. was as follows:
- Piotr Soroczyński – President of the Management Board,
- Aleksandra Hanel – Vice-President of the Management Board,
- Małgorzata Rutkowska – Vice-President of the Management Board.

Since 1 January 2010, the composition of the Management Board of KUKE S.A. is following:
- Zygmunt Kostkiewicz – President of the Management Board,
- Jan Czerepok – Vice-President of the Management Board,
- Aleksandra Hanzel – Vice-President of the Management Board.
Results achieved by KUKE S.A. in respective areas of activity

Overall results
In 2009, the total value of turnover covered by KUKE S.A. amounted to PLN 13.98 billion that is 30.0% more than in 2008. Expressed in USD, the value of insured turnover stood at USD 4.63 billion which was 2.2% more compared to the previous year. Business transactions covered by KUKE S.A. constituted a 1.04% share of Poland’s GDP (0.85% in 2008).

In 2009, the total value of export turnover covered by KUKE S.A. amounted to USD 2,196.91 million. There was a 7.3% drop in the volume of insured turnover with respect to export insurance covered on a commercial basis. Export insurance backed by the State Treasury decreased by 62.5%. The total value of export turnover covered by KUKE S.A. counted in USD was 36.0% lower than in 2008.

The geographic distribution of export turnover covered by KUKE S.A. was dominated by Germany (17.4%), Russia (11.2%) and Ukraine (8.2%).
Geographic distribution of insured export turnover in 2009
(all facilities)

- Germany: 17.4%
- Russia: 11.2%
- Ukraine: 8.2%
- Czech Rep.: 6.3%
- Belarus: 4.6%
- Lithuania: 3.9%
- Hungary: 3.1%
- Switzerland: 1.9%
- Sweden: 2.2%
- Slovakia: 2.4%
- Finland: 2.5%
- Italy: 2.6%
- France: 2.6%
- United Kingdom: 2.9%
- Romania: 3.0%
- other: 25.3%

Geographic distribution of Polish exports in 2009

- Germany: 26%
- other: 31%
- Spain: 3%
- Italy: 7%
- France: 7%
- Sweden: 3%
- Russia: 4%
- Netherlands: 4%
- United Kingdom: 6%
- Czech Rep.: 6%
- Hungary: 3%
- other: 31%
In 2009, the value of export credit transactions insured by KUKE S.A. amounted to 1.61% of the total value of Polish exports as reported by the Central Statistical Office (USD 136.72 billion)\(^1\). In the preceding year this ratio stood at 2.00%.

The overall rise in the volume of turnover covered by KUKE S.A. in 2009 was a result of KUKE S.A. shifting its focus to the insurance of domestic transactions, filling a void created by other insurance companies who had limited their activities on the domestic market. KUKE S.A. noted a 121.9% rise in its domestic business, covering receivables and issuing bonds for the total amount of PLN 7,229.24 million.

\(^1\) Due to lack of data concerning the volume of exports carried out on credit terms, as well as lack of information about export transactions carried out between members of the same capital group, the ratio of Polish exports insured by KUKE S.A. is calculated based on the preliminary reports of the Central Statistical Office on the total value of Polish exports.
In order to present a competitive business offer, a supplier has to take into account not only the price, but also credit terms offered to a buyer. This second aspect, however, carries a risk of payment default or non-payment on part of the contractor. Such difficulties may in turn cause financial problems for the supplier, potentially leading to a loss of financial liquidity. All this can be prevented through a proper receivables management in cooperation with a professional insurer.

Within the framework of its commercial activities - i.e. activities carried out on the own account of KUKE S.A. – the Corporation covers export transactions with payment terms not exceeding two years, as well as domestic sales on credit terms of up to one year. Insurance services provided by KUKE S.A. are tailored to meet expectations of a wide spectrum of entrepreneurs. We address our services to all Polish enterprises, regardless of size or business sector.

Europolicy is an insurance facility dedicated for companies carrying out small export or domestic transactions. With simplified insurance procedures, Europolicy has been designed to meet the needs of smallest entrepreneurs. With Europolicy we are able to cover receivables from 32 European countries as well as from Poland. In a simple and cost efficient way entrepreneurs are able to secure even small, single transactions.

Package insurance is aimed at companies wanting to comprehensively manage their entire portfolio of receivables. This form of insurance is used by medium and large enterprises, and is particularly suitable for companies carrying out cyclical deliveries, both in Poland and abroad.

Also, KUKE S.A. issues contract bonds regarding export transactions which confirm the credibility of an exporter on the international markets, allowing him to meet importer’s requirements and successfully conclude the contract.

In 2009, KUKE S.A. covered short-term export and domestic receivables for a total value of USD 3,943.16 million, that is 44.2% more than in 2008.

**Short-term export credit insurance**

Insurance of short-term export receivables is aimed at companies carrying out both cyclical and individual export transactions. The insurance secures credit transactions, minimizing the risk of an exporter running into financial problems or, in some cases, loosing financial liquidity altogether. Further, the insurance allows a proper management of receivables due from buyers.
from over 160 countries worldwide, a comprehensive analysis of buyer’s financial standing, debt collection free of charge and - in case the debt collection is unsuccessful - payment of indemnity.

The value of short-term export turnover insured in 2009 amounted to USD 1,515.62 million, which constituted a 7.8% drop compared to 2008.

As in previous years, German companies remained the largest trading partners for our clients - their share within the geographic distribution of insured turnover amounted to 24.6%, followed, as in 2007-2008, by the Czech Republic (9.1%), Lithuania (5.6%) and Hungary (4.5%).
The distribution of insured turnover in 2009 by business sector (based on the Classification of Economic Activities in the European Community - NACE) was dominated by manufacture of metallic products (16.9%) and wholesale commerce (15.8%).

**Distribution of insured export turnover in 2009 by business sector**
(commercial short-term export credit insurance)

![Distribution Chart]

**Short-term domestic credit insurance**
As in the case short-term export credit insurance, short-term domestic credit insurance provides cover against non-payment of a buyer resulting from a deteriorating financial standing, or an outright loss of liquidity on part of the domestic debtor.

The value of insured domestic receivables amounted to USD 2,427.55 million (PLN 7,222.69 million). This constituted a growth of 122.5% (and 174.3% when counted in PLN) compared to 2008.
Value of insured domestic turnover
(insurance of short-term domestic credit against commercial risk)

The distribution of insured turnover by business sector based on NACE was dominated by wholesale commerce (31.1%) and manufacture of food products (10.6%).

Distribution of insured domestic turnover in 2009 by business sector
(insurance of short-term domestic credit against commercial risk)

Bonds and guarantees
In principle, commercial bonds and guarantees are supplementary to credit insurance. Bonds and guarantees increase Polish entrepreneur’s credibility in relation to his foreign contractor, help acquire orders and obtain financing for projects.

Entrepreneurs planning to engage in export or investments abroad may benefit from our export contract bonds: bid bonds, advance payment bonds, performance bonds, warranty bonds.
Companies importing goods to Poland are able to take advantage of our customs and excise bonds, which secure payments due to the Customs Chamber and relieve entrepreneurs of the obligation to engage their own financial resources in customs and excise suspension procedures.

In 2009, KUKE S.A. issued bonds and guarantees for the total amount of USD 11.99 million including:
- USD 1.83 million with respect to customs bonds,
- USD 10.16 million with respect to contract bonds and counter-guarantees.
KUKE S.A. is the only specialized insurance company in Poland providing insurance cover for export projects burdened by a higher risk in terms of the country or business sector of a buyer.

Within the framework of export insurance backed by the State Treasury KUKE S.A. insures transactions concerning sales of capital goods. Such transactions necessitate export credits with repayment period of two or more years. At the same time, KUKE S.A. covers export transactions with credit terms not exceeding two years which concern sales of consumer goods.

In addition, exporters may obtain insurance cover while prospecting new foreign markets or expanding their activities abroad. These insurance facilities include: insurance of costs related to market research and insurance of direct investments abroad.

The range of export insurance facilities backed by the State Treasury is supplemented by contract bonds, which are particularly significant for companies unable to obtain contract bonds on a commercial basis. Bonds and guarantees are often a precondition for concluding an export contract. Furthermore, they allow an exporter to complete a costly production process without the need to expend his own financial assets.

The cover within the framework of export insurance backed by the State Treasury is offered by KUKE S.A. under favorable financial conditions and based on international agreements concluded by the Corporation.

**Insurance of export contracts with credit terms of less than two years (non-marketable risk)**

Export insurance against non-marketable risk facilitates trade between Polish entrepreneurs and their foreign partners based in countries with a higher political risk (e.g. the Eastern markets). Political decisions may have a substantial impact upon the economy and, consequently, produce obstacles for a successful completion of an export contract. Insurance provided by KUKE S.A. protects exporters from the risk of not only buyer’s default or nonpayment, but also from sudden changes in the political environment in the buyer’s country.

In 2009, KUKE S.A. covered export receivables against non-marketable risk for a total amount of USD 512.23 million, that is 38.4% less than in 2008.
The drop in the value of insured turnover in 2009 was caused by the unfavorable global macroeconomic situation, and by a slump in Polish exports to post-Soviet states as a result of a deteriorating financial standing of buyers in those countries. Economic slowdown in Eastern Europe (mainly in Ukraine, Russia and Belarus) had a negative impact on the business activities of Polish exporters present on those markets, resulting in a lower volume of export turnover.

As in 2008, the geographic distribution of insured turnover was dominated by Russia (37.9%), Ukraine (30.7%) and Belarus (16.3%). Altogether countries of the Commonwealth of Independent
States constituted a share of 96.2% of the total insured turnover within the framework of short-term export insurance against non-marketable risk, amounting to USD 492.86 million. In the previous year this share stood at 97.5%.

**Distribution of insured export turnover in 2009 by business sector**

* (short-term export credit insurance against non-marketable risk)

- Other 21.7%
- Manufacture of wood and wood products 14.8%
- Manufacture of non-metallic products 13.2%
- Manufacture of food products 8.3%
- Manufacture of rubber products 13.1%
- Manufacture of machinery and equipment 4.0%
- Manufacture of metallic products 4.4%
- Wholesale commerce 7.9%
- Manufacture of chemical products 12.6%

In 2009, the structure of insured turnover by business sector based on NACE was dominated by manufacture of wood and wood products (14.8%) and manufacture of non-metallic products (13.2%).

**Insurance of export contracts with credit terms of two or more years**

This type of insurance pertains to transactions related to deliveries of capital goods, which necessitate export credits with repayment period of two or more years. There are two basic schemes for covering medium- and long-term export receivables. First one, known as the supplier credit, where the exporter himself agrees to defer the payment for goods delivered or services provided. Under the second scheme, called buyer credit, a bank financing the export contract extends a credit to the importer’s bank or directly to the importer.

The total value of turnover covered under the medium- and long-term export credit insurance came to USD 107.05 million, which constituted a drop of 76.8% compared to 2008.

The insurance agreements concluded in 2009 pertained to buyer credits extended by commercial banks to borrowers in Belarus, Thailand, Russia and Ukraine in order to finance export contracts for deliveries of: industrial machinery, machinery for the food industry, machinery and equipment for the smelting industry, machinery and equipment for the agriculture industry, as well as construction services.
The decrease in the value of medium- and long-term export credit insurance in 2009 was a consequence of a difficult macroeconomic situation worldwide and impeded access to financing for entrepreneurs resulting from the global financial crisis – particularly in the area of bank lending. Other obstacles for conducting export activities included: a decreasing demand for Polish products in Eastern Europe – particularly in Russia and Ukraine (these countries were especially hard hit by the crisis), as well as problems with finding reliable business partners abroad.

**Bonds and guarantees**

Bonds and guarantees backed by the State Treasury are aimed at companies carrying out contracts concluded with foreign public entities. Bonds and guarantees extended by KUKE S.A. allow for a completion of a long and expensive production process, without an exporter being required to expend his own financial resources. Bonds and guarantees confirm the credibility of an exporter on international markets, allowing him to meet importer’s requirements and successfully conclude the contract. Bonds and guarantees issued by the Corporation meet international standards set forth in the ICC Uniform Rules for Demand Guarantees.

In 2009, KUKE S.A. issued bonds and guarantees backed by the State Treasury for the total amount of USD 46.97 million.

**Insurance of costs related to market research**

The expansion of Polish companies onto foreign markets needs backing on part of dedicated government institutions. In this area KUKE S.A. offers a unique insurance facility: insurance of costs related to market research. The aim of the facility is to alleviate companies of the risk of
potential losses incurred while prospecting new foreign markets.

The insurance of costs related to market research is addressed to enterprises that have been conducting business for at least three years, with annual net revenues not exceeding EUR 50 million.

In 2009, KUKE S.A. covered costs related to prospecting new markets for a total of USD 4.16 million.

**Insurance of direct investments abroad**

The expansion of Polish entrepreneurs abroad is also carried out through direct investments which may take the form of cash expenditures, kind or intangible assets, or legal rights. The insurance secures such investments and provides cover against losses incurred as a result of events defined as political risk.

In 2009, KUKE S.A. concluded an annex to the insurance agreement signed in 2005 concerning an investment in Ukraine. Consequently, the sum of the insurance agreement rose from USD 1.46 million to USD 6.33 million.
Commercial insurance facilities

Individualization of insurance agreements is a standard market practice. In 2009, systematic works were undertaken to adapt insurance clauses to changing market conditions. First and foremost, a new, simplified insurance clause concerning discretionary credit limits had been introduced, giving clients more transparent guidelines for utilizing discretionary credit limits. Also, new insurance solutions had been introduced regarding debt collection with respect to disputed receivables.

The new joint insurance clause allows for a cover of multiple subsidiaries of one client under a single insurance agreement. Provisions of the joint insurance clause are tailored according to clients’ individual needs so as to meet expectations of the entire capital group.

Insurance facilities backed by the State Treasury

In light of the global financial crisis, there was a growing need to help foreign buyers obtain credits in order to finance the import of Polish goods and services. The goal of these actions was to boost Polish exports. KUKE S.A. actively participated in developing a government program entitled “Supporting Polish exports through loans extended by the Bank of State Economy to foreign buyers of Polish goods and services, or their banks, with the insurance cover of the Export Credit Insurance Corporation Joint Stock Company”.

In the spring of 2009, the offer of KUKE S.A. in the area of bonds and guarantees underwent modifications. Bonds for banks confirming letters of credits (LCs) were substituted by bonds confirming the payment of receivables resulting from LCs concerning exports of domestic goods and services. The change broadened the scope of bonds and made them better suited to banks’ expectations (banks wanted to obtain bonds not only in relation to the confirmation of LCs, but also in relation to receivables resulting from LCs discounted by a beneficiary of the bond, and receivables concerning postfinancing of LCs)

Amendment dated 20 November 2009 to the Act on Export Insurance Backed by the State Treasury will allow KUKE S.A. to cover the receivables of foreign subsidiaries of Polish companies selling Polish goods and services on foreign markets. The amendment came into effect on 19 March 2010.

In 2009, the ministerial Committee on Export Insurance Policy undertook a number of resolutions concerning the activities of KUKE S.A. in the area of export insurance backed by the State
Treasury, among others:
- a resolution broadening the Corporation’s authority by raising the limits within which KUKE S.A. is able to singlehandedly decide about to grant cover or issue bonds within the framework of export insurance backed by the State Treasury;
- resolution concerning detailed activities of KUKE S.A. regarding insurance of export contracts with credit terms of two or more years – in case of supplier credit the Committee expanded the scope of coverage from commercial and political risks to 100%;
- resolution concerning short-term export credit insurance backed by the State Treasury, which broadened the scope of coverage from 90% to 95%, and expanded the list of foreign currencies accepted for cover.

In April 2009, Tajikistan was included in the list of countries covered by KUKE S.A. – consequently to the proposal of the Minister of Economic Affairs, which was later accepted by the Committee on Export Insurance Policy.
Organization for Economic Cooperation and Development

In 2009, KUKE S.A. took part in the works of the Group of Participants to the Arrangement on Officially Supported Export Credits, and the Working Group on Export Credits and Credit Guarantees (ECG) regarding further modifications of the Arrangement. Measures undertaken by the member countries to counter the effects of the global financial crisis were also discussed. The ECG Group commenced works to modify the 2007 Council Recommendation concerning uniform approach to environmental protection within the framework of officially supported export credits. Strengthening of cooperation with new members (Chile, Estonia, Israel, Russia, Slovenia), as well as with countries that have been offered enhanced engagement (Brazil, China, India, Indonesia, South Africa), was another major topic of debate.

In addition, representatives of KUKE S.A. participated in the works of following specialized working groups:

- Working Group on Premia and Related Conditions activities of which focused on establishing common principles governing minimum premium rates for insuring risks related to private debtors,
- Country Risk Expert Group - devoted to cyclical classification of countries for the purposes of establishing minimum premium rates for export credits with the repayment terms of two or more years,
- meetings of various experts as part of the Body of Experience forum for exchange of information within the field of environmental standards implemented by international organizations, nuclear energy and climate change.

European Union

In 2009, the KUKE S.A. participated as a cooperating expert in the monthly meetings of the EU Council Working Group on Export Credits (CWG). As in previous years, the CWG Group meetings were devoted to issues discussed within the OECD, in order to harmonize the position of EU member states at meetings of the Group of Participants to the Arrangement on Officially Supported Export Credits. The issues discussed included: establishing common guidelines for setting premium rates for private debtors within the OECD; developing modified conditions governing the state support for civil aircrafts and ships; EU’s participation in the “outreach” initiatives towards China; works within the framework of the WTO. Also, representatives of the Corporation participated in works of the technical working group on premium rates organized by the EU Commission.
Berne Union and Prague Club
Since November 2009, the post of Berne Union’s Vice-President was held by Member of the Board of KUKE S.A. In 2009, the Corporation took part in works of the Berne Union which focused mainly on actions undertaken by the ECAs to counter the impact of the global financial crisis. Topics of debate included limited financing offered by commercial banks, as well as problems of liquidity encountered by those institutions. Other issues discussed included: reinsurance, debt collection and claim settlement, efficient external communication regarding BU’s activities and the use of export credits.

Furthermore, KUKE S.A. participated in the works of the Berne Union’s Management Committee. Activities of the Committee concerned the following areas: possibility of giving access to aggregated data about members to chosen international institution; Berne Union’s reactions to the global financial crisis; the 75th Anniversary of the Berne Union; recommendations for acceptance of new members; providing support for enquiries to debtor states. Works were also commenced to prepare a survey among members of the Prague Club about future relations with the Berne Union.

Also, the Corporation participated in meetings of the Prague Club, an association of ECAs from Europe, Asia and Africa, which operates within the framework of the Berne Union. In 2009, the Prague Club was joined by two new members: LCI from Lebanon and ECIE from United Arab Emirates.

During a visit in Poland by the President of the Korean Republic in July 2009, KUKE S.A. and the Korean export credit agency KECIC have signed a mutual reinsurance agreement. The cooperation of the two ECAs within the framework of medium- and long-term export credits allows KUKE S.A. to reinsure credits financing Polish deliveries within a larger export project covered entirely by KEIC. The agreement works on a mutual basis, allowing the reinsurance of partial deliveries from Korea within the framework of export insurance backed by the State Treasury.
Analysis of balance sheet

The balance sheet total as at the end of 2009 amounted to PLN 207.85 million and was 52.0% lower than in 2008. The main balance sheet positions of KUKE S.A. as at 31 December 2008 and 31 December 2009 were as follows:

### Assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>340 435.58</td>
<td>0.1%</td>
<td>441 557.74</td>
<td>0.2%</td>
<td>29.7%</td>
</tr>
<tr>
<td>Investments</td>
<td>172 673 549.74</td>
<td>39.9%</td>
<td>169 071 327.09</td>
<td>81.3%</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Receivables</td>
<td>13 187 968.96</td>
<td>3.0%</td>
<td>20 957 155.86</td>
<td>10.1%</td>
<td>58.9%</td>
</tr>
<tr>
<td>Other assets</td>
<td>245 005 349.28</td>
<td>56.6%</td>
<td>15 334 520.87</td>
<td>7.4%</td>
<td>-93.7%</td>
</tr>
<tr>
<td>including funds deposited on a designated bank account “National Interest”</td>
<td>242 131 793.17</td>
<td>55.9%</td>
<td>13 582 329.14</td>
<td>6.5%</td>
<td>-94.4%</td>
</tr>
<tr>
<td>Prepayments and accruals</td>
<td>1 924 931.53</td>
<td>0.4%</td>
<td>2 042 116.95</td>
<td>1.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Total assets</td>
<td>433 132 235.09</td>
<td>100.0%</td>
<td>207 846 678.51</td>
<td>100.0%</td>
<td>-52.0%</td>
</tr>
</tbody>
</table>

Differences in control totals are a result of rounding.

Intangible assets

There was an increase in intangible assets from PLN 0.34 million in 2008 to PLN 0.44 million in 2009.

Investments

Investments constituted 81.3% of the balance sheet total. Compared to the end of 2008, their value decreased by 2.1%, reaching PLN 169.07 million as at 31 December 2009.

Other assets

As at 31 December 2009, other assets amounted to PLN 15.33 million, decreasing by 93.7% compared to the end of 2008. Of this amount, 88.6% (PLN 13.58 million) constituted funds...
deposited on a designated bank account “National Interest”, used to carry out settlements regarding activities entrusted to KUKE S.A. under the Act of 7 July 1994 on Export Insurance Backed by the State Treasury.

**Receivables**

At the end of 2009, receivables amounted to PLN 20.96 million, constituting 10.1% of all assets.

**Liabilities**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ equity</td>
<td>145 139 074.91</td>
<td>33.5</td>
<td>122 591 204.91</td>
<td>59.0</td>
<td>-15.5</td>
</tr>
<tr>
<td>Technical reserves (after taking into account the reinsurers’ share and estimated recourses)</td>
<td>26 038 574.42</td>
<td>6.0</td>
<td>45 945 371.84</td>
<td>22.1</td>
<td>76.5</td>
</tr>
<tr>
<td>Other reserves</td>
<td>6 520 485.09</td>
<td>1.5</td>
<td>7 132 699.30</td>
<td>3.4</td>
<td>9.4</td>
</tr>
<tr>
<td>Other liabilities and special funds</td>
<td>253 861 479.12</td>
<td>58.6</td>
<td>29 278 161.65</td>
<td>14.1</td>
<td>-88.5</td>
</tr>
<tr>
<td>including funds deposited on a designated bank account “National Interest”</td>
<td>242 131 793.17</td>
<td>55.9</td>
<td>13 582 329.14</td>
<td>6.5</td>
<td>-94.4</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>1 572 621.55</td>
<td>0.4</td>
<td>2 899 240.81</td>
<td>1.4</td>
<td>84.4</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>433 132 235.09</strong></td>
<td>100.0</td>
<td><strong>207 846 678.51</strong></td>
<td>100.0</td>
<td>-52.0</td>
</tr>
</tbody>
</table>

Differences in control totals are a result of rounding.

**Shareholders’ equity**

As at 31 December 2009, shareholders’ equity amounted to a total of PLN 122.59 million and, as a result of the net loss in the reporting period, decreased by PLN 22.55 million, which was a 15.5% drop compared to the end of the previous year. Shareholders’ equity constituted a share of 59.0% in the balance sheet total as at the end of 2009.

**Liabilities**

Other liabilities and special funds constituted 14.1% of the total liabilities. As at 31 December 2009, their value stood at PLN 29.28 million i.e. 88.5% less than as at the end of 2008. Of this amount, 46.4% i.e. 13.58 PLN million constituted funds deposited on a designated bank account “National Interest”, used to carry out settlements regarding activities entrusted to KUKE S.A. under the Act of 7 July 1994 on Export Insurance Backed by the State Treasury.
At the end of 2009, reinsurance liabilities amounted to PLN 13.61 million, increasing by 144.1% compared to the end of 2008, while direct insurance liabilities increased by 56.2% and amounted to PLN 0.63 million.

**Technical reserves**

At the end of the reporting period, technical reserves (after taking into account the reinsurers’ share and estimated recourses) amounted to PLN 45.95 million, increasing by 76.5% compared to the previous year. The share of technical reserves in the structure of liabilities amounted to 22.1%.

**Analysis of technical insurance account and overall profit and loss account**

In 2009, gross written premiums amounted to PLN 27.95 million, which constituted a 86.2% growth compared to 2008. Net written premiums totaled PLN -2.76 million - a decrease by PLN 13.22 million compared to 2008. The main reason behind the drop in the value of net written premiums was - in line with a policy adopted in 2009 – the creation of large reserves for unexpired risk. This move was spurred by a high claims ratio observed in 2009.

In 2009, compensation and payments made regarding the net retention amounted to PLN 8.73 million i.e. 36.9% more than in 2008. After reviewing the claims submitted and estimated recourses, the level of reserves for deferred indemnities regarding the net retentions increased by PLN 6.61 million compared to 2008.

Compared to 2008, operating costs (administrative costs, acquisition costs, commissions) noted a 1.8% drop and stood at PLN 11.58 million. Administrative costs and acquisition costs decreased by 9.9% compared to 2008 and equaled PLN 12.60 million. Reinsurance commissions decreased by 53.7% compared to 2008 and stood at PLN 1.01 million.

The balance of other revenues and technical costs regarding net retention came through at PLN 1.10 million, that is 190.6 % more than in 2008.

At the end of 2009, the entire equalization reserve was released in the amount of PLN 5.24 million. Taking into account the change in the aforementioned reserve, the technical insurance result amounted to PLN –23.96 million (as against PLN -0.96 million in 2008).

In 2009, income from investments (calculated as the sum of income from investments, outstanding profits from investments, and negative results from investments realization) amounted to PLN 10.21 million. Compared to 2008, income from investments decreased by 0.22 million PLN (2.1%). Other operating costs in 2009 amounted to PLN 10.42 million, decreasing by 8.6% compared to the previous year.
The gross financial result of KUKE S.A. amounted to PLN -21.42 million. Following the deduction of an income tax of PLN 0.10 million, the net loss stood at PLN -21.53 million (compared to the net profit of PLN 9.88 million in 2008).

Safety margins
As at 31 December 2009, the Corporation’s own funds exceeded the solvency margin and the compulsory guarantee capital by, respectively, PLN 115.78 million and PLN 107.78 million.

The asset cover for technical reserves amounted to PLN 168.66 million, while technical reserves amounted to PLN 77.50 million.

As at 31 December 2009, the technical reserves coverage level stood at 217.6%.

The return on equity ratio for 2009 was -17.6%, compared to 6.8% at the end of 2008.

As at 31 December 2009, the Company met all prudence norms required by law with respect to conducting insurance activities.
INDEPENDENT AUDITOR’S OPINION

for the Shareholders and Supervisory Board of
Korporacja Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna

We have audited the accompanying financial statements of Korporacja Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna with its registered office in Warsaw, ul. Sienna 39, consisting of:

- the balance sheet prepared as at 31 December 2009, showing total assets and liabilities of 238,380 thousand zł;
- the income statement for the period from 1 January to 31 December 2009, showing a net loss of 25,772 thousand zł;
- the statement of comprehensive income for the period from 1 January to 31 December 2009, showing a total comprehensive loss of 25,862 thousand zł;
- the statement of changes in shareholders’ equity for the period from 1 January to 31 December 2009, showing a decrease in shareholders’ equity of 25,862 thousand zł;
- the cash flow statement for the period from 1 January to 31 December 2009, showing a net cash decrease of 10,801 thousand zł;
- notes to the financial statements.

The Company’s Management Board is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and ensuring the operation of internal controls adequate to ensure the preparation and fair presentation of financial statements that are free of material misstatements arising out of fraud or error, the selection and application of suitable accounting methods (policies), and the making of accounting estimates that are reasonable in the given circumstances.

Our responsibility was to express an opinion on the financial statements based on our audit. We performed the audit in accordance with:

1) Chapter 7 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152, Item 1223 with subsequent amendment(s));

2) the knowledge and experience arising out of the professional auditing standards issued by the Polish National Chamber of Certified Auditors in the period of their effectiveness;

3) International Standards on Auditing.


Audyt | Doradztwo podatkowe | Usługi księgowego i placowe | Doradztwo gospodarcze | Doradztwo IT | Szkolenia

1.100 biur w 110 krajach
These standards require us to proceed in accordance with ethical requirements, and to plan and perform the audit to obtain sufficient assurance that the accompanying financial statements are free of material misstatements.

We planned and performed the audit to obtain reasonable assurance that the financial statements are free of material misstatements.

In particular, our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited financial statements consisting of financial data and explanations:

- give a true and fair view of the financial position of Korporacja Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna as at 31 December 2009, as well as of its financial result for the period from 1 January to 31 December 2009;
- have been prepared in all material respects correctly, i.e. in accordance with the accounting methods arising out of International Financial Reporting Standards as adopted by the European Union, and in issues not regulated by these Standards - in accordance with the requirements of the Accounting Act, as well as on the basis of properly kept books of account.

Poznań, 10 June 2010

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 3355

Auditor in charge:
Agata Wojtkowiak
Certified Auditor No. 10784

On behalf of BDO Sp. z o.o.:
Krystyna Sakson
Board Member
Certified Auditor No. 7899