

INet LLC

DUNS Number: 552479917

Annual Report 2009

- extract -

Enter a World of Excellence in Technology

May 2010

Headquarters

Company Name: INet LLC
Former Name: InterNet (2001)
Registered Address: Atinska 12,
 P.O.Box 468
Postal Code / City: 1000 Skopje
Country: R. of Macedonia
Phone #: +389 2 3090.625
Fax #: +389 2 3090.634
e-mail: info@inet.com.mk
Web Site URL: www.inet.com.mk
DUNS Number : 552 479 917
CEO: Toni Petreski
toni@inet.com.mk

Corporate Facts

Legal Structure: Limited Liability
Ownership: 100% Private
Year of Foundation: 1991
of Employees: 14
2009 Turnover EUR: 2.058.000

Distribution Agreements (Partners)



Authorized Distributor & Authorized Warranty Service Provider (for Macedonia and Kosovo)



Sales & Services Partner (for Macedonia, Albania and Kosovo)



Advanced Partner (for Macedonia, Albania and Kosovo)



Red Hat – Certified Training Partner (for Macedonia, Albania and Kosovo)



Premium Partner (for Macedonia, Albania and Kosovo)



Authorized Distributor & Service Partner

ENTER A WORLD OF EXCELLENCE IN TECHNOLOGY AND DISCOVER THE MACEDONIAN MOST FAVOURABLE ICT DISTRIBUTOR

The door is open. Beyond the threshold, people are connecting, networking, e-commercing. The lines between our homes and offices are blurring. The boundaries between the nations and cultures are thinning. It's a world of difference out there and INet is making a difference - at the forefront of the excellent technology - by offering an array of solutions and services to numerous resellers and by regionally distributing and marketing IT products from many suppliers.

INet Today

INet has been in the business of Information and Communication Technology (ICT) on the Macedonian market since 1991. The company is highly recognized in value-oriented technology distribution and channel innovation providing complex ICT equipment, peripherals and packaged software products while adding value through technical capabilities.

The business is organized through three separate departments: **INet Marketing & Sales, INet Business & Technology Services, INet Center of Excellence.**

Competitive Differentiation

INet's distinctive competitively important internal activities (core competencies) reside in cross-department combination of skills and resources: strategic partnership with suppliers, efficient ICT products distribution capability, skills in choosing quality ICT products, attractive mix of built-in performance features, much-better-than average reliability, and very good after-sales and technical support services.

INet's strategy is based on the following practices:

- Quality Enablers.** Project & Portfolio Management– adoption of the TenStep (www.tenstep.com) Project & Portfolio Management methodology;
- Quality Methodologies:**
 - IT Mark certification – adopted in February 2007;
 - Development and introduction of new IT services based on the ITIL v.3 best practices framework.
 - Total Quality Management Culture - superior customer service standards, 24-hours spare parts availability, 100% "accuracy and guaranteed response times" to fully satisfy customer expectations for prompt service, a full range of technical support activities, team-based work design, involvement and empowerment of employees at all levels by appropriate motivation and rewarding system;
- Information Technology.** Value Chain Information System implementation - a rollout of SAP Business Suite, a family of open, integrated solutions that manage the entire value chain. We install SAP web based support information system for improved customer, sales and service operations, employee, supplier / partner / collaborative ally, financial performance and to provide the management with the key operating data.
- Governance Strategy.** Corporate Governance implemented in 2007, based on IFC (World Bank) methodology, to strengthen the shareholders value.

Customer Base

INet serves its business partners and their business likely serves a diverse mix of customers who rely on them to solve their IT challenges.

- IT Channels Companies - Corporate Resellers (Resellers), Small Office/Home office (SOHO)/Consumer Retailers & Dealers
- IT Hardware Companies & PC Assemblers (System Builders)
- IT Software Companies - Independent Software Vendors (ISVs), Local ERP Specialists, Local Accounting Application Providers, Local Horizontal & Vertical Application Providers
- IT Services Companies - System Integrators (Solution Providers), Value Added Resellers (VARs), IT Training and Education Specialists
- Telecom Carrier Services Companies - Telecom Carriers, Fixed Telephony Operators, Mobile Network Operators, Internet Service Providers (ISPs), Cable Operators, Wireless Operators;
- Other Telecom Companies - Telecom Distributors, Telecom Support Companies, Telecom Equipment Companies

Information Technology Infrastructure Library (ITIL) is becoming the next big thing in IT. It is the new industry buzz-word, the new certification, the new conference, and the new idea that the IT world feels it needs. ITIL describes a framework of processes for the management of IT. Since INet works in the IT industry, and plans to work for medium-to-large organizations in a future, INet has to add one or more ITIL certifications in its resume.

Ownership

INet is a limited liability company with three shareholders: Mr. Toni Petreski, Mr. Aleksandar Naumovski and the Private Equity Fund SIF.

Management Team

The management team consists of:

- Toni Petreski, BSc.Eng., Executive MBA, Managing Director
(toni@inet.com.mk);
- Slobodan Stojcevski, BSc.Eng., Systems Sales Manager
(bobis@inet.com.mk);
- Aspasiya Tasevska, BSc.Ecc., Finance & Investments Manager
(aspa@inet.com.mk);
- Nadezda Dimitrovska, BSc.Eng., Center of Excellence Executive
(nade@inet.com.mk);

Financial Results

'000 EUR	2007	2008	2009
REVENUES	2,474	1,941	2,058
EBITDA	107	141	71
NET INCOME	53	73	0.2

Macedonian Market Overview*

The overall Macedonian IT market amounted up to EUR 108.4 million in 2008, representing a 11% decline compared to the previous year. Such volatile IT spending dynamics are typically inherent on small countries IT markets, where a very small number of large projects (as was the case with two deals in 2007 financed by the Government) can drastically alter market trends.

Most recent analysis shows that the Macedonian IT market is estimated to grow at a compound annual growth rate (CAGR) of 3-5% in the next five years. IT expenditure should reach EUR 125 million by 2013. Supportive to the growth potential of the Macedonian IT market is the fact that the comparison in per capita terms, currently positions Macedonia as the country with lowest IT spending among the countries in the region. Average Macedonian spent EUR 59 on IT products and services in 2007. IT spending per capita in Croatia and Slovakia was some 4-5 times higher, while the average for EU27 countries is approximately EUR 659 per capita.

The history of spending on IT in the countries in the region shows that in the last several years, there was exponential growth in IT spending, which was supported with the economic growth of the countries. Just as an example, according to the IDC data, the IT market in Croatia in 2001 was worth EUR 268 million, while in 2006 it was EUR 732 million, meaning that over a period of five years, the market grew more than 250%. The very same can be expected in Macedonia - as the economic situation in Macedonia improves, the per capita spending on IT will grow, thus significantly increasing the overall size of the IT market in Macedonia.

New Markets Opportunities

Even more doors continue to open for us – particularly in Albania and Kosovo where INet has established presence, and is the only distributor for Red Hat products, services and solutions. *source IDC Report

INDEPENDENT AUDITORS' REPORT

TO THE MANAGEMENT AND OWNERS OF INET DOO, SKOPJE

We have audited the accompanying consolidated financial statements (page 2 to 28) of INet doo, Skopje and its subsidiary (hereinafter referred to as the "Company"), which comprise the consolidated statement of financial position as at December 31, 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of INet doo, Skopje and its subsidiary as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte doo

Deloitte DOO
Skopje
March 29, 2010