



INet LLC

DUNS Number: 552479917

Annual Report 2010

Enter a World of Excellence in Technology

Headquarters

Company Name: INet LLC
Former Name: InterNet (2001)
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DUNS Number : 552 479 917
Managing Director: Toni Petreski
toni@inet.com.mk

Corporate Facts

Legal Structure: Limited Liability
Ownership: 100% Private
Year of Foundation: 1991
of Employees: 17
of Distributions: >10
of Customers: 50+ Business Partners contracts
2010 Turnover EUR: 4,7 mil.
Stage: IBM HW, IBM SW & Red Hat regional market leader

Distribution Agreements



IBM SW & IBM HW Authorized Distributor & Authorized Warranty Service Provider (for Macedonia, Albania and Kosovo)



Sap Partner (for Macedonia, Albania and Kosovo)



Advanced Partner (for Macedonia, Albania and Kosovo)

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

The door is open. Beyond the threshold, people are connecting, networking, e-commerce. 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.

Having adopted a modern organizational structure, INet has established three self-directed work business teams (departments) acting as profit centers: **INet Marketing & Sales**, **INet Business & Technology Services**, **INet Center of Excellence**. Through these departments, while seeking new opportunities, INet is growing and developing its activities that correspond to different market segments and serve different needs.

Key characteristics of INet

- Well-developed distribution partner network
- Internal expertise and resources to undertake complex and considerable IT projects
- Excellent relationship with the key suppliers
- Strong management team
- Revenues growing at a CAGR of 34.8% between 2006 and 2010
- Presence in Kosovo and Albania

Products and Services Highlights

Stepping inside reveals wide product offering – from network and systems solutions to peripherals and software. Add to that INet's entrance into the open source community and the company has created a strategic, diversified mix of products and services that in 2010 generated EUR 4.7 million in sales.

Our strategy could never succeed if the relationship between INet and our supplier-partners did not embrace and support it. Partnership agreements with our best partners: IBM, Lenovo, Red Hat, Trend Micro, Xerox, SAP... guarantee the quality, wide portfolio and professionalism of our company.

As of 2008, recognizing the potential and the underserved market, the company has also started operations in Kosovo and Albania, distributing ICT equipment in these countries. The revenues from Kosovo and Albania have become a significant contribution to the overall business, accounting for almost 64% of the total revenue in 2010.

Competitive Differentiation

Being distinctively better than rivals on one or more Key Success Factors (KSFs) presents a golden opportunity for gaining competitive advantage. 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.

A key factor to our success today and in a future is a strategy that helps INet to run the business more effectively. Production, marketing, human, capital and other resources must always be capable of fulfilling the company's strategy. We choose the following strategic best practices because we wanted to let our customers know that we are committed being a world-class IT company:

- **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, renewed in February 2010;
 - 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-



redhat.
CERTIFIED
TRAINING
PARTNER

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



AffinityONE Partner

*TrendMicro
Affinity ONE
Partner
(for
Macedonia,
Albania and
Kosovo)*



Authorized Distributor

*Authorized
Distributor
& Service
Partner*

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, Other Small Local ISVs
- *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

Market Perspective

According to IDC (2010), the **IT services** opportunities are much bigger than the other IT sectors, because of:

- The steadily growing proportion of IT services in overall ICT

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 ERP, a family of open, integrated solutions that manage the entire value chain. By the end of 2009 we installed the SAP ERP 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.

Indeed, the door is open. Beyond the threshold is a company at the forefront of a growing, vibrant industry – a company that has created a winning formula of strong management, a careful yet innovative diversification strategy and an unwavering commitment to our business partners.

New Markets, Products & Services Opportunities

Still more doors are opening before us — opportunities for expansion that include the rocketing demand for wireless mobility, including notebook computers, smart handhelds and POS products; the convergence of consumer and commercial markets; the automation of the home; and thousands of small and medium sized businesses in need of complete IT solutions. And yet, in the world of IT distribution, success is anything but “in one door and out another”. Which is why, at INet, our IT solutions go beyond distribution to offer a broad selection of programs and services. Among them – logistics, marketing and financial solutions for our retailing partners; training, marketing and technical assistance for our reseller customers. As a result of this complete approach to our business, 2010 saw us once again outperform our peers and generate profit levels not seen since 2008. INet’s further growth strategy is envisioned in three segments:

1. Geographical expansion – Even more doors continue to open for us – particularly in Albania and Kosovo where INet is distributing IBM HW, IBM SW, Lenovo, and Red Hat products, services and solutions.
2. Addition of new products – INet is constantly looking to add new brands and new products to its portfolio, which is making INet the proffered supplier to the ICT companies in Macedonia.
3. Develop the ICT Services market segment – INet is an official distributor of IBM, Lenovo, and Xerox, and Managed Services sector is expected to grow significantly in the following years.

Community Groups Membership

- MASIT - Macedonian Association of Information Technology (www.masit.org.mk). MASIT is a voluntary, non-profit association and organizational form of all private companies whose basic activities are manufacturing, trading and services in the area of information technology, and which are registered on the territory of Republic of Macedonia.
- United Nation’s Global Compact Initiative (www.unglobalcompact.org). INet is among the first Macedonian companies that joined Global Compact initiative in January 2005, embracing and supporting the ten universal principles of corporate social responsibility as part of its operations.

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);
- Aspasija Tasevska, BSc.Ecc., Financial Manager (aspa@inet.com.mk);
- Nadezda Dimitrovska, BSc.Eng., Center of Excellence Executive (nade@inet.com.mk).

Ownership

INet is a limited liability company with three shareholders, all placed in Skopje, Macedonia: Mr. Toni Petreski, company’s Managing Director, Mr. Aleksandar Naumovski, and the private equity fund SIF (Small Investment Fund), managed by the SPMG.

demand.

- Offering the IT services containing more value-added (managed services, outsourcing).
- Small groups of high-skilled and innovative professionals could achieve respectful results.
- Barriers to entry the developed countries IT markets are likely to be weaker compared to the other ICT sectors.

Financial Results

We distribute and market hundreds IT products which our clients require and our revenue mix by product category has grown over the past several years.

'000 USD	2006	2007	2008	2009	2010
REVENUES	1,868	3,323	2,755	2,643	6,171
Net Earnings	2.7	73	104	2.2	153

INDEPENDENT AUDITORS' REPORT

TO THE MANAGEMENT AND OWNERS OF INET DOO, SKOPJE

We have audited the accompanying consolidated financial statements (page 2 – 25) of INet doo, Skopje and its subsidiary (hereinafter: "the Company"), which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 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 about 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 at December 31, 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte DOO
Skopje
March 31, 2011

Deloitte doo