



## ОАО RBC Information Systems



## ANNUAL REPORT 2002



MOSCOW • 2003



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# Address to shareholders



Dear Sirs!

The tenth year since the founding of RBC has been remarkable for a substantial growth in the company's operations of all kinds. The rate of this growth substantially exceeded the forecasts of analysts. In accordance with the results of an audit, conducted by KPMG, the gross revenues of RBC have increased by 58 percent, compared to those of 2001, and reached \$9.21m, and EBITDA amounted to \$13.75m. RBC has become one of the first hundred on the European rating list of the fastest growing hi-tech companies, published by Deloitte Touche Tohmatsu. In 2002 RBC entered the stock market by conducting the first successful IPO in Russia. Having become a public company, RBC has made a qualitative shift in its development. Owing to a restructuring of the corporate governance system and engagement of world-class professionals in the media and IT sectors, RBC's work has become more efficient. We are deeply grateful to our shareholders, partners, independent directors, and the entire staff of RBC for their fruitful cooperation, which resulted in new achievements of the company.

As for the results of our work last year, we would like to remark on the most important of them: every prerequisite necessary for the further strengthening of RBC's positions on both domestic and international markets has been created. The dynamics and stability of our development show that the Board of Directors and the management of RBC have chosen the right path.

The strategic goal of RBC's development is to continue intensive growth and maintain strict control over expenditures. A number of large-scale projects, including the opening of the first Russian business TV channel RBC-TV, which is able to double the size of the company, are being implemented in accordance with this strategy.



The development of science and technologies are among the top priorities of the country now. Russia's intellectual potential is one of its key competitive advantages on the world market. RBC's work is aimed at maximizing the use of this potential.

A handwritten signature in black ink, which appears to read 'German Kaplun'.

Chairman of the Board of Directors  
German Kaplun

A handwritten signature in black ink, which appears to read 'Yury Rovensky'.

General Director  
Yury Rovensky





The company started its work in 1993 with the founding of the RosBusinessConsulting Private Joint-Stock Company, a news agency that provided financial news about the Russian market. Having formed a team of highly professional journalists, analysts and editors, RBC soon became one of the leading providers of business information for the Russian business community. The agency launched its Internet site [www.rbc.ru](http://www.rbc.ru) as long ago as in 1995 and began to use the Internet as the main channel for dissemination of financial and economic information.

RBC provides a full spectrum of information services now. Clients of the company receive up-to-date data on every segment of the financial market, including broadcasting the trade on Russia's leading exchanges. Additionally, the agency maintains 24-hour news lines of political, economic and financial news, publishes analytical materials, commentaries and forecasts, and thematic articles in real time, and has a broad network of correspondents in Russia and the CIS countries. RBC's news strategy is based on the idea that only the original source can be considered a reliable source of information. This guarantees absolute objectiveness and accuracy of information provided by the company. For many years RBC has had partnership relations with leading Russian and foreign economic research institutes.

The company has a unique business audience, which mainly consists of well-off and well-educated people, who are able to make decisions on big purchases. The monthly audience of RBC's business sites reached 2m users as of the end of 2002, and the total audience of all web sites of the company was 3m people. Access to this high-income audience attracts a large number of advertisers, including investment and insurance companies, banks, real-estate agencies, construction firms, airlines, automobile dealers, telecommunications companies and firms that provide business services. The exceptional efficiency of advertisements on RBC's Internet resources allows the company to sell its services at prices that exceed those of its closest competitors by at least 10 times. The company estimated its share of the Russian market of Internet advertising at 50 percent in 2002, and its share of the advertising segment for the business audience was 90 percent.



Despite the success on the information market before and after the 1998 crisis, the management of the company set a goal to diversify the company's business and to enter a new fast-growing and profitable market. Using the success of its brand name and its synergy with media business, RBC entered the information technologies market. Having started with selling Internet solutions, such as e-commerce and web design, RBC broadened the range of its products by adding such services as development of software, system integration and IT consulting. The new kinds of services soon stopped being additional, and the revenues from selling IT products were almost equal to the revenues from selling media services just three years later. The success in the IT sector has supported the company's growth through the introduction of new kinds of services.

In 2002 the RBC Board of Directors made a decision on the implementation of one of the largest media projects of the company, the first Russian business TV channel. RBC TV will be providing financial and economic news, analytical programs and commentaries in connection with the economic situation in Russia and the world. It is planned to begin the broadcasting of TV programs in the middle of 2003.

At present, RBC is a dynamically growing company, which has the leading positions on the information technologies and mass media markets. The average rate of RBC's growth exceeded 700 percent over the past three years.





## Structure of the company



The holding company was founded and registered on August 18, 2000 as a Russian joint-stock company (OAO). According to the entry No. 002.010.991 on the register of the Moscow Registration Chamber, the name of the company was Netrus Holding. On September 13, 2001 OAO Netrus Holding was renamed OAO RBC Information Systems and was reregistered under that name on September 24, 2001.

OAO RBC Information Systems is a holding company. All companies of the holding company are its wholly owned subsidiaries.(see also the Joint Ventures section)

A description of the business of each company of the holding company is given below:

**ZAO RosBusinessConsulting** was founded in 1993 and has not ceased its operations since that date. The company is the news agency of the holding company.

**ZAO RBC Soft** was founded in 2000. The company specializes in development, installation and sales of software and development of Internet solutions for medium-size and large businesses.

**OOO RBC Center** is a system integrator. Earlier the company dealt with marketing and was promoting paid informational and advertising services by RBC on different markets. At present, this company is transferring its responsibilities to ZAO RBC Soft and ZAO RosBusinessConsulting. The company will continue to implement specific large projects for different state agencies and to fulfill contracts won at tenders.

**ZAO RBC Holding** was founded in 2000. It represents the holding company in joint ventures and holds shares in other companies.

**ZAO RosBusinessConsulting Publishing House** was founded in 1997 and was registered in a free economic zone in the Altai region, which allowed it to use the respective tax advantages and to increase the company's overall tax efficiency.

**ZAO RBC-TV** was founded in 2002 for the implementation of a business TV project.

**RBC Information Systems (Europe) N.V.** was founded in the Netherlands to develop and sell information, telecommunications products and software.



### Board of Directors

German Kaplun	Alexander Morgulchik	Dmitry Belik	Leonid Khazan	Yekaterina Lebedeva	Givi Topchishvili
Oleg Dyatlov	Sergey Lukin	Michael Hammond	Neil Osborn	Hans-Joerg Rudloff	Yuri Mostovoy







### Additional information about the companies of the holding

Name	Registration date and place	Registered No.	Registered office офис
RosBusinessConsulting	July 14, 1993, the Moscow Registration Chamber	652098	78-1 Profsoyuznaya Street, Moscow
RBC Soft	January 18, 2001, the Moscow Registration Chamber	002.026.658	75/9 Leninsky Prospekt, Moscow
RBC Center	February 10, 1998, the Moscow Registration Chamber	871656	3B-1 Sadovo- Chernogryazskaya Street, Moscow
RBC Holding	December 19, 2000, the Moscow Registration Chamber	002.024.115	75/9 Leninsky Prospekt, Moscow
RosBusinessConsulting Publishing House	November 26, 1997, the Administration of the Altai Region	I.127	29 Choros-Gurkina Street, Gorno-Altaysk
RBC-TV	June 07, 2002, the Moscow Registration Chamber	002.094.141	75/9 Leninsky Prospekt, Moscow
RBC Information Systems (Europe) N.V.	October 22, 2002, The Chamber of Commerce and Industry of Central Gelderland, the Netherlands	09130040	Schelmseweg 1, 6861 WP Oosterbeek

### Joint ventures

The company joins joint ventures when it is necessary to meet the needs of its clients, as well as specific conditions of some deals to be made. The company's policy provides for owning not less than 50 percent of the shares in a company whose name contains the word RBC. Additionally, the company strives to take part in making the most important decisions dealing with business operations of such companies. Via its affiliated companies the company holds shares in the following joint ventures:



Name	Registration date and place	Registered No.	Registered office	Share (percent)
000 PC Home (an e-shop for computers and peripherals)	September 29, 2000, the Moscow Registration Chamber	652098	24-1-1 Tashkentskaya, Street, Moscow	50%
000 RBC Pro (the tourist portal tour.rbc.ru)	March 13, 2001, the Moscow Registration Chamber	002.026.658	75/9 Leninsky Prospekt, Moscow	51%
000 Telli (owns the domain name and the chat krovatka.ru)	November 3, 1999, the Moscow Registration Chamber	087.357	10 Blagoveshchensky Pereulok, Moscow	50%
000 Merkot (owns the domain name and a system of forums webforum.ru, and the banner network lbn.ru)	April 12, 2000, the Moscow Registration Chamber	098.370	20-1 Gayvoronovsky Proyezd, Moscow	60%
000 Niken (owns a free mail system hotbox.ru)	April 12, 2000, the Moscow Registration Chamber	098.260	20 Gayvoronovsky Proyezd, Moscow	60%
ZAO RBC Engineering (development and implementation of system integration projects)	February 22, 2001, the Moscow Registration Chamber	002.032.639	75/9 Leninsky Prospekt, Moscow	100%
000 Roverst (implementation of the project 5ballov.ru)	September 24, 2000 Tax Ministry Inspection № 18 in the Eastern Administrative District of Moscow	1027718005930	17-1 Otkrytoye Shosse, Moscow	50%
ZAO SK Garant (presently conducts no operations)	July 14, 1997, the Moscow Registration Chamber	552.504	18-20 Sadovaya-Triumfalnaya Street, Moscow	100%
000 RBC Software Products (selling of software products in St. Petersburg; presently conducts no operations)	August 26, 2002, The Tax Ministry Inspection in the Moscow District of St. Petersburg	1027804851007	96 Krasnoputilovskaya Street, St. Petersburg	100%





### **The economic and political situation in Russia in 2002**

Despite the geopolitical instability and a decline on western stock markets, the situation for Russia's development remains rather favorable. A considered and pragmatic policy, pursued by the President and the government, has resulted in the substantial strengthening of Russia's economic relations with CIS and non-CIS countries, which has led to a rise in the influence of our country in international politics.

The economy of Russia showed a rather high rate of growth last year, which was not due to external effects, as it was during the first several years after the crisis, but was based on an increase in domestic demand and growing stability. Business risks substantially decreased in Russia, which was confirmed by a reduction in the inflation rate and, consequently, a decline in the interest rates on the capital market. Owing to this process, the banking system was able to start the accomplishment of its main task, which is to provide loans for the industry.

2002 was a very successful year for the Russian economy, and an increase in the main economic parameters continued. Financial and macroeconomic stability supported growth in our international credit ratings. During the period of instability on international markets, Russia has practically become «a safe haven» for capital that is fleeing the crisis in Latin America.

The successes achieved include a rise in the gold and foreign currency reserves to the highest level in history of about \$50bn and a decrease in the inflation rate to 15.1 percent, which was the lowest rate after the crisis. The government managed to make substantial improvements in the tax system, to strengthen political stability, to adopt a considered approach to the management of the tax system and the budget, and to improve debt control.

Additionally, stability in the industrial sector triggered a boom on the information and IT markets, whose volume nearly doubled. Dynamically developing companies have been show-



ing growing interest in modern information and marketing technologies.

It is obvious that the Russian society and economy have undergone substantial changes over the past 10 years since the beginning of reforms, and there is a basis for further development without serious shocks now. At present, the Russian economy is at a stage of growth.

A decline in world business activity and the level of welfare in developed countries will not effect the Russian economy directly. Stagnation on global markets will make investors revise their estimates of risks, and amid other developing countries, investors will give much more preference to Russia. If the trend towards the stabilization of the national economy continues, Russia will gradually move from the category of countries with high investment risks to the category of steadily developing and less risky countries, which is bound to have an influence on the perception of Russia in the international arena. Some signs of such a trend have already emerged: credit ratings assigned to Russia by international rating agencies have reached historic maximums. Actually, this means recognition of the fact that the country's economy has completely recovered from the aftermath of the default of 1998.

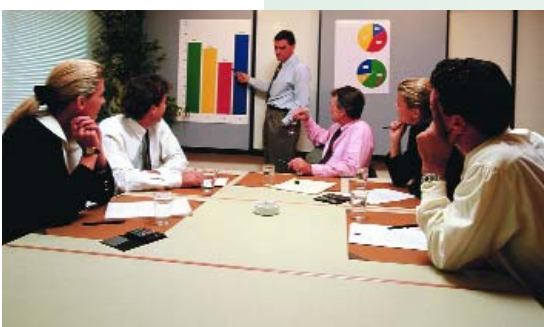
Even in the event that a favorable situation on the world fuel market, which emerged for Russia at the end of 2002, does not last until the end of next year, this will not cause any substantial damage to the economy of Russia. Although it will obviously have a significant effect on export revenues and will reduce budget revenues, it will not be a disaster, since Russia has managed to seriously prepare itself for a decline in fuel prices when these prices were high.

It should be noted that the political situation has improved since Vladimir Putin was elected President of Russia. The conflict between the executive and legislative branches has disappeared. The authority of the head of state is so high now that there is practically no opposition that would be able to interfere in his policies. This opens the way to further changes, although decreases the quality of reforms.



The prospects for economic growth in Russia will largely depend on the decisiveness of the government's policy aimed at debureaucratization and fighting against corruption in the government sector. Simplification of the tax system and tax regulations on small businesses is to become a factor that will boost fundamental economic development and will lead to a rise in domestic demand. The government's ability to reduce the influence of financial, industrial and inter-industrial groups on government decisions and the pursuing of a constructive economic policy will play a big role in the future development of the Russian economy.

While 2002 became a year of stabilization, 2003 will show whether the Russian government is able to continue its policy amid low oil prices and pressure put on by oligarchic groups. Despite the fact that the internal economic situation will largely be determined by the state of the global economy, it will become substantially more stable. We believe that efforts being made by the government to improve the investment climate and reduce the level of bureaucratization will facilitate growth in the Russian economy.



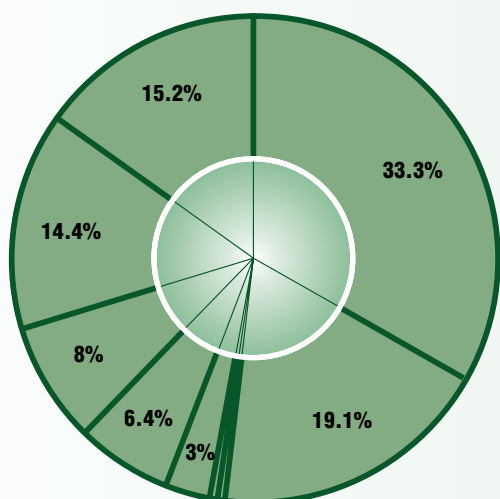




## The media market

2002 was a year of record growth in Russia's advertising industry. Russia became one of ten European countries with the highest volume of advertising. Expenditures on advertising rose by more than 50 percent in Russia over that year. According to information from the Russian Association of Advertising Agencies, the advertising market went up by 51 percent to \$2.68bn in 2002. Such a high rate of growth in the volume of Russia's advertising market is remarkable amid the stagnation of the global advertising industry, which declined by 0.3 percent last year.

### The structure of the Russian advertising market in 2002



33.3%	Television
15.2%	Outdoor advertisements
14.4%	Newspapers
8%	Magazines
6.4%	Direct marketing
3%	Radio
0.3%	Internet
0.3%	Advertising in movie theaters
19.1%	Other, including production

Source: Russian Association of Advertising Agencies

The Russian advertising market has great prospects, which is confirmed by the level of per capita expenditures on advertising. For example, this level was about \$1,000 in the USA last year, and the corresponding figure for Russia was \$20.





**The number of Internet users**

According to a survey by SpyLog, the monthly audience of the Russian Internet amounted to about 15 million users in February 2003. About 60 percent of them live in Russia, 7 percent reside in Ukraine, another 7 percent – in the USA, 3 percent – in Germany, 2 percent – in Belarus, and 2 percent – in Israel. Among citizens of Russia the majority of Internet users live in Moscow (43 percent) and St. Petersburg (10 percent). The average weekly audience of the Russian Internet reached about 6 million people in February 2003, including 3.7 million active users.

The rate of growth of the Russian Internet audience is higher than that in other countries: in accordance with the Global Internet Trend Survey by Nielsen/NetRatings, the average annual rate of growth of the Internet audience in the world is about 4 percent. According to information from the Telecommunications Ministry of Russia, the number of regular Internet users increased by 39 percent in 2002 and reached 6m people, which is equal to 4 percent of the population of the Russian Federation. The Telecommunications Ministry forecasts the number of regular Internet users in Russia to rise to 10m people by 2004 and to exceed 26m by 2010.

**The Internet advertising market**

Estimates for the volume of the Russian Internet advertising market vary substantially. Given the absence of any commonly recognized official estimates, the results of a number of surveys, which are used by market participants, are the main indicator.

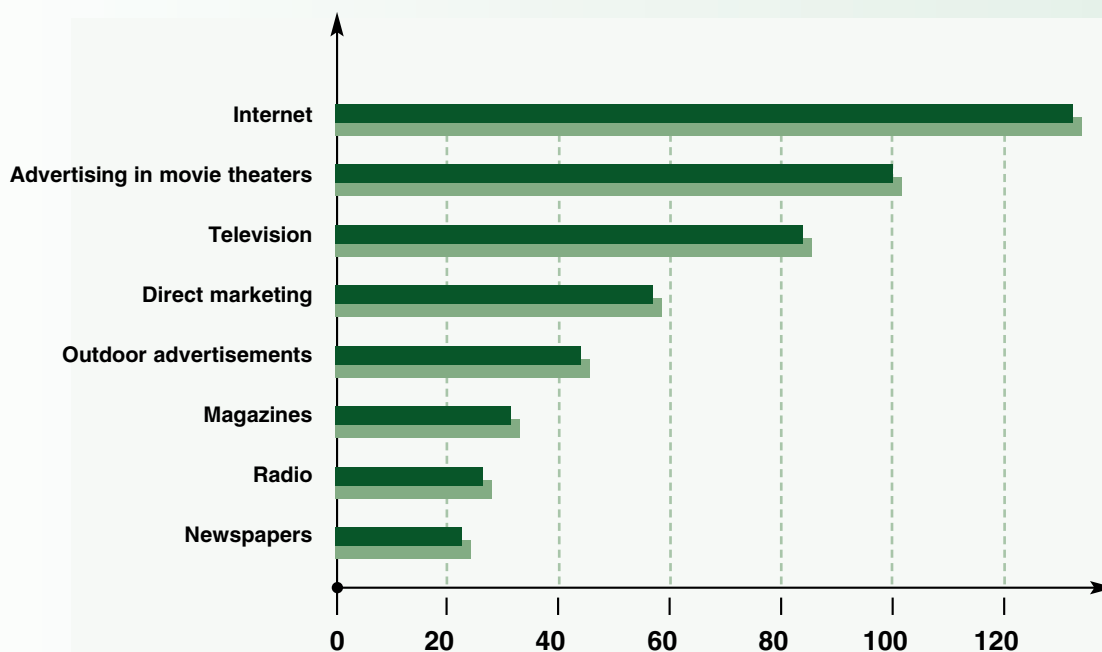
According to an estimate by the Russian Association of Advertising Agencies, the proportion of Internet advertising is 0.4 percent (or \$11m) of the entire advertising market, whereas according to information from CMR/TNS Media Intelligence, the market share of Internet advertising in the USA is 4.9 percent.

Estimates for the volume of the Internet advertising market by advertising agencies vary within the range of \$6.5m-\$20m. However, these figures take into account the volume of sales by advertising agencies, but do not include advertisements placed on Internet portals directly.



Therefore, given these expert estimates and RBC's financial results, the amount of \$15m looks the most adequate estimate for the Russian Internet advertising market for 2002. Analysts forecast that the volume of the Russian Internet advertising market will reach about \$30m in 2003.

**The Internet advertising market is the fastest growing market in Russia (the growth rate in 2002, compared to that of 2001, percentage points).**



Source: Russian Association of Advertising Agencies



RBC believes that since the Internet is gaining broad recognition of Russian companies and consumers, the potential for growth in the volume of Internet advertising is bigger than that of other methods of advertising. Information from the Russian Association of Advertising Agencies confirms this. According to this information, the Internet advertising market is the fastest growing market in Russia, and the rate of its growth was over 120 percent in 2002, compared to 2001.

#### **The TV advertising market**

According to a forecast by the Russian Association of Advertising Agencies, made on the basis of the dynamics of the cost of advertisement on television and in the press, and expecting an increase in market activity, the volume of the advertising market will reach \$4bn in 2003.

In accordance with an expert estimate by the Russian Association of Advertising Agencies, the volume of TV advertising market reached about \$880m in 2002. This is equal to one third of Russia's advertising market. The TV advertising market grew by about 83 percent compared to that of 2001 (while the advertising market in general went up 51 percent). The market growth of 2002 is mainly due to a rise in the cost of TV advertising, whose prices increased by 50 percent on average. This has led to an outflow of medium-size and small advertisers from central TV channels and a redistribution of the budgets of large advertisers in favor of regional TV channels and channels that have smaller audiences. Experts reckon that these trends (redistribution of budgets and growth in prices) will continue in 2003.





## Media business operations

The media business, which was the initial basis of the company, continues to develop dynamically. The proportion of the company's revenues from media business reached 53 percent of the total revenues in 2002 and amounted to \$16m. Media services cover the creation and distribution of informational and analytical products; advertising services, marketing communications; special events and international business conferences.

Volume of media service sales	2000 <sup>1</sup>	2001 <sup>2</sup>	2002
Information services	2,134	2,273	2,542
Advertising services, including marketing communications	4,776	8,464	12,870
<b>Total</b>	<b>6,910</b>	<b>10,737</b>	<b>15,412</b>

<sup>1</sup> — Revenues for 2000 inflated and reduced to 2002 base level.

<sup>2</sup> — Revenues for 2001 inflated and reduced to 2002 base level.

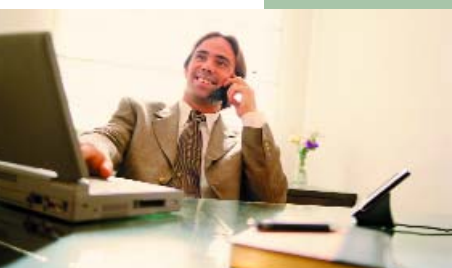
## The audience of the informational resources of the company

The company's main asset is its audience, which the company has managed to gain through the provision of high-quality, accurate and up-to-date information.

RBC's audience is relatively young, educated, and well-off. Users of RBC's resources can be considered active consumers. Innovative consumers and those who are interested in finding information about goods and services make up a substantial proportion of these people. At the same time they are loyal to Internet advertisement. Two thirds of all visitors to the company's site believe that Internet advertisements are useful or, at least, amusing, and they react to advertisements on the net, especially those dealing with products and services they are interested in. Over half of them have experience in making purchases online.

The results of Internet surveys, which were last conducted by the MASMI Research Group in November 2002, allowed the receiving of a detailed demographic profile of the company's audience, which is presented below. These results are confirmed by surveys conducted by Pro Active International in 2001 and RBC's own regular surveys.





Demographic parameter	Description
<b>Age</b>	63 percent are financially secure people of 25 to 45 years old
<b>Professional status</b>	42 percent are successful entrepreneurs or managers of companies 54 percent are top managers or middle managers
<b>Financial status (monthly income)</b>	53 percent have incomes between 1,000 and 1,500 euros 11 percent have incomes between 1,500 and 2,500 euros 7 percent have incomes between 2,500 and 5,500 euros 2 percent have incomes exceeding 5,500 euros
<b>Education</b>	67 percent have a university degree 9 percent have a master's or doctorate degree 20 percent have incomplete university education or professional training 81 percent understand and speak English

#### **Informational and analytical products by RIA RosBusinessConsulting**

The Russian Information Agency (RIA) RosBusinessConsulting provides a full spectrum of information services, the revenues from which reached \$2.5m in 2002. Clients of the company receive up-to-date data on all segments of the financial market and are able to follow the course of trade on Russia's leading exchanges in real time. Additionally, the agency maintains 24-hour news lines, presenting political, economic and financial news, analytical materials, commentaries, forecasts and thematic articles, and has a broad network of correspondents in Russia and countries of the CIS (over 150 correspondents). The company had 6,000 subscribers to its information in 2002, of whom 5,000 are regular clients of RBC.





The priorities of the development of RBC's business in this sector are as follows: provision of more complete and detailed information from international markets, creation of new trading sites outside exchanges, and optimization of products that were developed earlier.

### **Advertising services by the company**

RBC's revenues from advertising services and marketing communications grew by 52 percent in 2002 to \$12.87m. RBC provides services dealing with the displaying of advertisement on its own resources, as well as additional services, such as the creation of advertising materials, consulting, planning and holding of advertising campaigns.

The revenues from marketing communications increased by more than twofold from nearly \$2m in 2001 to \$4.5m<sup>1</sup> in 2002. Additional advertising services are provided for some clients in this sector, and various special events are organized. In addition to the national business award «Company of the Year», RBC bought the rights to hold the contest for «Person of the Year» national award. RBC also was the organizer of two international conferences in Geneva and Amsterdam last year. These two events facilitated the development of the company's brand name.

The sources of growth in advertising revenues were the promotion of new integral media products by RBC and, as a result, a broadening of the client base. This strategy allowed the company to increase its audience and, consequently, the company's advertising revenues from the media market without raising its advertising rates. Other macroeconomic factors that contribute to a rise in advertising revenues from the company's media business is a growth of the middle class, which the main media products of the company are oriented to, and a growth of Russia's advertising market, which is partly due to a rise in advertising revenues of the leading companies represented on the Russian market in 2002.

In addition to the above-mentioned factors, the following factors, forming a basis for the positive dynamics of the development of this sector of RBC's business operations, should be mentioned:

<sup>1</sup> The structure of advertising revenues has not been audited.

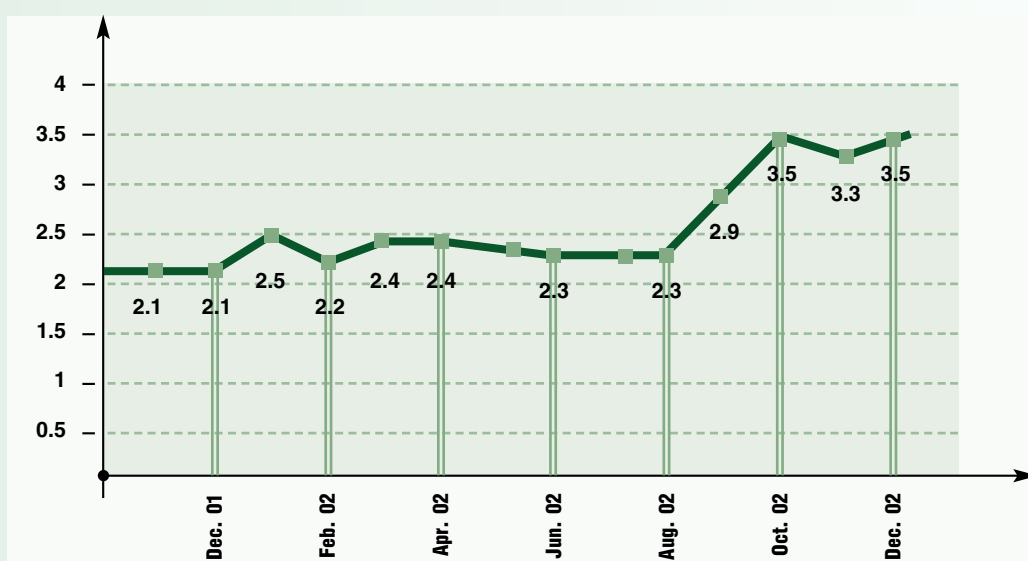






- Differentiation of advertisers, emergence of clients representing new categories of businesses (for example, sellers of cellular phones, construction companies, etc.).
- Optimization of the structure of the company's site, which allows for making this resource more efficient for advertisers and simplifying access to information for visitors to the resource.
- Development and promotion of new products, including an increase in the proportion of non-standard banners.
- An increase in the number of regular clients of the company. The number of advertising clients of the company grew by about 20 percent in 2002 and reached about 1,200 companies.

A stable growth in popularity, registered in 2002, underlines the growing attractiveness of the site to both users and advertisers.





## The information technologies market

The whole international market of information technologies (ITs) was growing by 12 percent over the last decade of the 20th century. An inevitable correction and a decline on the IT market, which affected the entire global economy, occurred in 2000-2001. The total volume of the market of information and communications technologies reached 2.153 trillion euros in 2002, including the IT market of 998bn euros.

In general, the level of investments in information technologies decreased in 2001, and the rate of growth of the IT market was just 3.4 percent in 2002, which was below the estimate of 6.7 percent, announced by Gartner earlier.

### The volume of the IT market by region, billions of euros

	Market volume in 2002	2001 %	2002 %	2003 %
USA	305	30.3	30.9	30.6
Europe*	408	42.7	41.3	40.0
Japan	120	11.9	12.1	12.3
4 «tigers»**	24	2.4	2.5	2.6
Russia	4.7	0.41	0.47	0.52
Rest of the world	126.3	12.29	12.73	13.98
<b>Total</b>	<b>988</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: EITO 2003

\* Europe without Russia and CIS

\*\* The 4 "tigers" are Hong Kong, South Korea, Singapore and Taiwan

In accordance with forecasts by foreign analysts, the crisis in the global information technologies industry will be ending as soon as in 2003. According to information from the Aberdeen Group, global expenditures on ITs will rise by 4.7 percent in 2003 and will exceed 1.3 trillion euros by 2005. Moreover, the lion's share of the investments will be allocated for hardware and IT services. The volume of B2B transactions will increase from 6.3bn euros in 2000 to 116bn euros in 2005 in Eastern Europe alone.

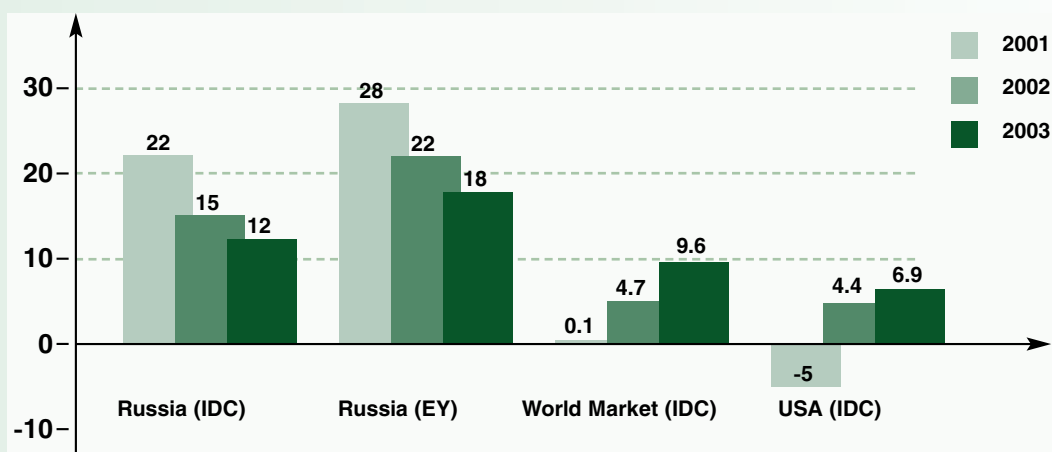




It is expected that following almost two years of stagnation, the IT market will begin to grow gradually, along with the GDP, in Western Europe. Given the fact that the estimated average rates of GDP growth in Western Europe are 1.9 percent in 2003 and 2.7 percent in 2004, it is still impossible to speak about any regaining of the speed of growth. The present volume of the IT market is equal to 3.3 percent of the GDP in Western Europe. At the same time the volume of Russia's IT market was equal to 1.38 percent of the GDP in 2002.

#### Russian market growth amid decline in western IT sector

*Growth of expenditures for IT, %*



Source: EY survey

According to information from IDC, the total revenues from selling products and services in the information technologies sector of Russia rose by 15 percent to \$4bn in 2002. According to other estimates, which take into account the unofficial («gray») market, the volume of the IT market reached \$4.7bn, and the growth rate was 17 percent. Russian achievements look especially impressive in comparison with the situation in the world market.

The prevalent part of the demand for IT has been related to the government, which has become the biggest investor, whose expenditures on information technologies are to reach about \$3bn in 2001-2004. This money will be spent on equipping state government agencies

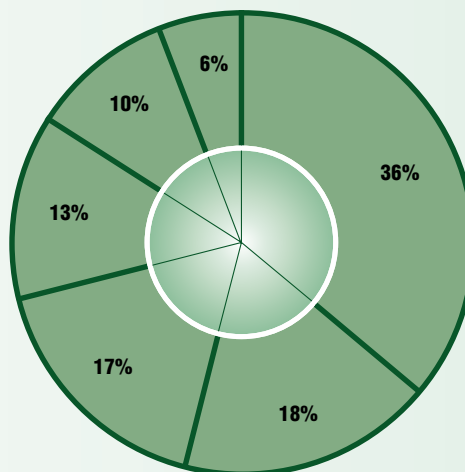


with the Internet, computers, peripherals and the software they need. For example, the amount of the drafted IT budget of the Tax Ministry for the next four years is close to \$600m. Large-scale computerization has started in the Pension Fund. Offices of the Fund in large regions spent \$2m-3m on IT each in 2002, and the Moscow office spent \$10m. The national census made a substantial contribution to the revenues to suppliers. The State Statistics Committee spent about \$25m on IT within the framework of this project.

Obviously, Electronic Russia is the most global project of the government in the IT sector. Despite the fact that the government is providing far less money for the introduction of information technologies in general than it was initially planned, the dynamics of growth in these expenditures give reason to be optimistic. For example, RUR600m (\$20m) were allocated for that purpose in 2002, and the expenditures on Electronic Russia from the 2003 budget rose by more than twofold to RUR1.43bn (\$44.5m).

#### **The structure of Russia's IT market in 2002**

- 36%** Computers
- 18%** System integration services
- 17%** Parts and peripherals
- 13%** Software development
- 10%** Unofficial import of PCs, parts and peripherals
- 6%** E-commerce



*Source: estimates by analysts*

Although emphasis is now being shifted to software solutions and services, the structure of the Russian IT market remains primitive, compared to that in Western Europe, and hardware is still prevailing over software.

However, many companies and agencies have already approached the next stage, comprising





transition to a higher technological level, where not hardware but software solutions and services are of key importance. Compared to 2001, Russia made a number of substantial moves in this direction. For example, the proportion of computers, parts and peripherals to the total volume of sales (taking into account the unofficial («gray») market), decreased from 66 percent (\$2.7bn) to 63% of all money spent on the IT market (\$2.96bn). On the contrary, revenues from the development of software rose from 12 percent (\$0.5bn) to 13 percent (\$0.63bn).

While the software market advanced just 0.8 percent in the West last year, it is developing quite rapidly in Russia. As for the rate of growth of this market, most analysts agree with a rather high estimate of 25 percent (this data is given by IDC).

Concerning forecasts, in the opinion of the Telecommunications Ministry and IDC, the IT market growth rate in general will be maintained, but information services will be gradually replacing hardware supplies. The markets of software, e-commerce and IT are expected to grow the fastest.

### **Operations in the information technologies sector**

Having started its business as a media company, RBC has gained extensive experience dealing with the technical aspects of work on the Internet and management of information flows in real time. RBC has experience in technical support for intensive traffic during peak hours, especially when serious events occur, and the company's programmers have developed adequate software for the management of broad information flows. This software interested some clients of the company and was one of its first products in the information technologies sector. During subsequent years the range of products was substantially broadened and went beyond the limits of the Internet sector. It now includes ready solutions for different business sectors, government contracts for software development, development of programs for foreign clients in accordance with individual requests (offshore programming), system integration, and consulting services.

RBC's staff now includes over 200 qualified programmers, engineers, designers, analysts and consultants. The company has a certificate confirming its compliance with the ISO 9001:2000





international standards.

Owing to the active use of collateral sales with the company's media business, the client base rose by 50 percent in 2002. At present, RBC has about 250 clients for programming, of whom 40 have made long-term contracts with the company. RBC has a diversified portfolio of orders, in which any client makes up not more than 5 percent of the total revenues from IT services. The company fulfilled numerous orders from commercial companies, including East Line and Eurosib, in 2002. Among RBC's clients are over ten federal ministries and agencies, as well as the Russian State Library, the Moscow Kremlin, the Chamber of Commerce and Industry of Russia, and a number of international companies.

The company's revenues from services related to information technologies reached almost \$13.74m last year, which was equal to 47 percent of the total revenues.

**The table below shows the dynamics of the company's revenues from IT services over the past three years:**

Volume of sales of services related to information technologies <sup>1</sup> (thousands of USD)	2000 <sup>2</sup>	2001 <sup>3</sup>	2002
Programming, turn-key solutions and research	2,883	4,256	8,492
Offshore programming	345	1,665	3,206
System integration	23	1,850	2,041
<b>Total</b>	<b>3,251</b>	<b>7,771</b>	<b>13,739</b>

In 2002 RBC offered solutions for insurance companies and companies that provide logistics services, created an intranet system for the central office of Philips in Russia and founded its own hosting center.

<sup>1</sup> Structure of revenues from IT services for 2000-2002 (not audited)

<sup>2</sup> Revenues for 2000 inflated and reduced to 2002 base level

<sup>3</sup> Revenues for 2001 inflated and reduced to 2002 base level





**General programming**

The revenues from general programming almost doubled from \$4.26m in 2001 to \$8.49m in 2002. The main factors in this growth were a rise in the expenditures of Russian companies in purchasing software, as well as active positioning of the company on the market of IT products for banks and other financial institutions. In 2002 RBC offered solutions for insurance companies, as well as companies that provide logistics services, created an intranet system for the central office of Philips in Russia and founded its own hosting center. RBC continued to increase the spectrum of its IT solutions last year and extended the range of software products through cooperation with such recognized suppliers of software as Microsoft, Saba Software, and Documentum. RBC's strategic partners include such leaders in the IT industry as Intel, IBM, Siebel, Network Solutions, VeriSign, Oracle, SAP, and AltaVista. The aim of this cooperation is to gain advanced experience in IT services and to use it in Russia.

**Offshore programming**

Revenues from offshore programming services advanced 93 percent. This growth rate exceeded the average growth rate for the Russian market, which reached 50 percent in 2002. The company's revenues in this sector reached \$3.2m. One of the main reasons for this growth in the offshore programming market was the intention of foreign companies to reduce their expenditures on IT solutions. The management of the company expects this trend to strengthen and to continue this year. As a result of active marketing efforts, RBC has received orders for offshore programming services from clients from the USA, the UK and Australia. The company also entered the markets of CIS countries. In 2002 RBC made contracts with the two largest banks of Kazakhstan and fulfilled contracts for customers in Georgia and Ukraine.

Departments for selling offshore programming services and supporting foreign clients were created by the end of 2002. RBC engaged specialists from other companies, including western banks, who were now actively participating in the development of a system for managing a portfolio of securities. In response to the growing demand for offshore programming services, RBC has established its international branch RBC Information Systems (Europe) N.V.



### **System integration**

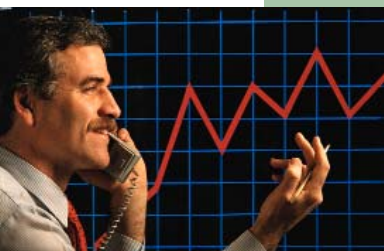
Creating software products, RBC's IT division provides basic auxiliary services, which are necessary for operating these products. The central service is system integration within separate IT systems, including the creation of «an intellectual building». Most of these services are provided by specialists of the company, and partners that have respective resources and licenses are engaged in the provision of specific services (construction, building of structured cable networks, etc.).

System integration is intended to resolve the problem of creation and successful operation of systems for making managerial decisions. This work comprises the following: construction (laying cables to a building, assembly of structured cable networks and other construction work); installation of «passive» (stand-by) equipment (air-conditioning systems, fire extinguishing and guarding systems, access control systems, etc.); installation of «active» equipment (telecommunications equipment, computers, etc.); installation and integration of information systems by different vendors, and maintenance.

Provision of a broad range of services by one company allows clients to receive turn-key solutions, which substantially reduces the costs connected with the coordination of work by several contractors.

The revenues from system integration services showed positive growth dynamics and amounted to \$2.04m. Given the fact that the provision of system integration services is not the core business of the company, RBC considers this result to be positive.





### Research

2002 became a turning point for the development of scientific and technical activities in the company. The company focused on the development of turn-key solutions and products that can be adapted to the needs of a specific client during their installation.

In the opinion of the management, this strategy allows concentration of the company's efforts in specific sectors and a reduction in the cost of designing (since the framework of a software product is developed before its installation begins). Additionally, this approach allows for focusing attention on the needs and requirements of a client.

The company is developing analogues of western systems for making managerial decisions, but these products are priced absolutely differently. As for investments in the improvement of the company's site, they were mainly allocated for increasing the convenience of access to information for users, as well as development of new information products.

Intangible assets of the company, consisting of its investments in the development of its site and turn-key products, increased from \$2,1 to \$5,3 in 2002. Fourteen projects are being implemented now (not including projects of modification and improvement of the company's site), which can be divided into two groups. The first group comprises projects dealing with the Internet and web design. The second group includes turn-key business solutions for retail sales.

An important Internet solution made by the company is a content management system, whose development was started over two years ago. The first version of the system was ready in 2000, and the second version, which took into account experience in the use of the previous version, was created in 2001. New features were added, and installation and maintenance of the system were simplified. The third version of the system, which comprises ready modules and subsystems, was finished in 2002.



**As for development of turn-key solutions, the following systems played an important role in 2002:**

- An integral system, combining elements of ERP (enterprise resource planning), CRM (customer relationship management), and Time Management (management of projects). This solution, which can suit practically any company, allows the optimization of management and an increase in labor efficiency.
- A system for work with dealers and subsidiaries. This solution combines elements of traditional ERP systems for the control of goods and CRM systems for communication with vendors and buyers. It is aimed at the Russian market and takes into account all specific features of Russian accounting.
- A securities portfolio management system. It is based on the integration of solutions dealing with portfolio management, risk analysis, receiving information and sales data on the basis of a single client-server platform, which is to support a logical and consistent approach to portfolio management through the provision of necessary tools.
- A logistics system. This system is a solution for the Russian market, based on SCM (systems supply chain management), which are swiftly developing in the West. This solution extends the framework of traditional ERP systems and allows improvement of the control of delivery of goods or sales of services. Similar solutions in the West are offered by SAP, CommerceOne, I2, IBM, Oracle
- RBC Medicine. The purpose of the information system RBC Medicine is to manage medical institutions, rehabilitation centers and sanatoriums. The use of RBC Medicine allows optimization of the use of resources through improvement, control and planning of diagnostics and treatment. Installation of this system allows a reduction in the cost of treatment and an increase in the quality of services to patients.





- RBC Social Service. The RBC Social Service system's purpose is management of social services in regions and municipalities, as well as at companies. It allows not only control of expenditures, but also organization of planning and analysis of the efficiency of their use, including estimation of the financial and economic effect of social services.

### **Personnel and HR policy**

An important element of RBC's successful development is a team of carefully selected professionals. RBC's main resources are the intellect and knowledge of its staff. This principle is the basis of our policy on human resources. It can be declared now that the task of forming a professional staff has been generally accomplished: 95 percent of RBC's employees have university degrees, 19 of the 35 top managers have a master's or doctorate degree. The average age of employees is 28.

About 200 people worked at RBC three years ago. The present number of employees of the company is 790, and the annual rate of personnel turnover is not more than 2.5 percent. An increase in the number of members of staff took place mainly as a result of hiring people for the implementation of the TV project. The company also increased the number of programmers and sales specialists. The restructuring of the middle management, intended to support further growth, was completed last year. RBC managed to attract new people from other companies, and efficient employees were promoted to managerial positions.

The system of human resource management, including recruitment of personnel, the setting of a probation period and an adaptation period for new employees, current evaluation and testing of personnel was optimized under the conditions of intensive growth. A multi-level control system was built. Organizational, administrative and technical resources were used for the work on this system.





Type of services	Number of members of staff
<b>Media services</b>	
Journalists and analysts	237
Department of Information Sales and Advertising	63
Management	8
Other	28
<b>Total for media services</b>	<b>336</b>
<b>Information technologies</b>	
Programmers and project managers	213
Sales Department	25
Management	17
Other	24
<b>Total for information technologies</b>	<b>279</b>
TV project	111
Senior executives	14
Financial and Legal Departments	36
Support staff	14
<b>Total</b>	<b>790</b>

RBC is striving to provide its staff with maximal opportunities for professional growth. Owing to close cooperation with a number of Russia's leading universities, RBC's employees are able to constantly improve their qualifications.







In order to ensure a new development strategy, the number of members of the RBC Board of Directors was increased to 12 people early in 2002. The following four well-known representatives of the Western business community joined the Board: Barclays Capital Executive Chairman Mr. Hans-Joerg Rudloff, a member of the Novartis Board of Directors, who had long been the head of Credit Suisse First Boston; President of the Interval company Mr. Yuri Mostovoy, a former Vice President of Citibank (New York); Mr. Neil Osborn, Managing Director and Publisher of the Euromoney Group; and Mr. Michael Hammond, a Partner of City Capital Corporation Limited.

RBC became one of the few Russian companies that had managed to attract such top reputable Western managers to its Board of Directors. On the threshold of conducting an Initial Public Offering (IPO), the decision to invite independent directors was aimed at making the company a benchmark of transparency, emphasizing the company's commitment to Western standards of corporate governance and increasing the company's attractiveness to investors.

In April 2002, RBC carried out the first successful IPO in Russia with simultaneous listings on the MICEX and RTS stock exchanges, which was in line with the company's strategy outlined by the Board. 16 million shares, which equals 16% of the share capital, were placed. Preliminary purchase orders were submitted for an amount of \$64 million and, thus, the shares were five times oversubscribed. As a result of the IPO, the current capitalization of the company reached \$83 million. The IPO price was \$0.83 or 25.86 rubles per share. The company raised \$13.28 million in IPO proceeds.

In the previous year, the Board was convening on a regular basis over the current financial performance of the company as well as a wide scope of issues connected with RBC's top-priority development lines. Therefore, having the company's resources and competitive advantages estimated, the Board made a strategic decision to establish a business channel, RBC-TV. Following this decision, a financing structure was designed and approved for the TV project in order to minimize risks and protect the interests of the company's minority shareholders.

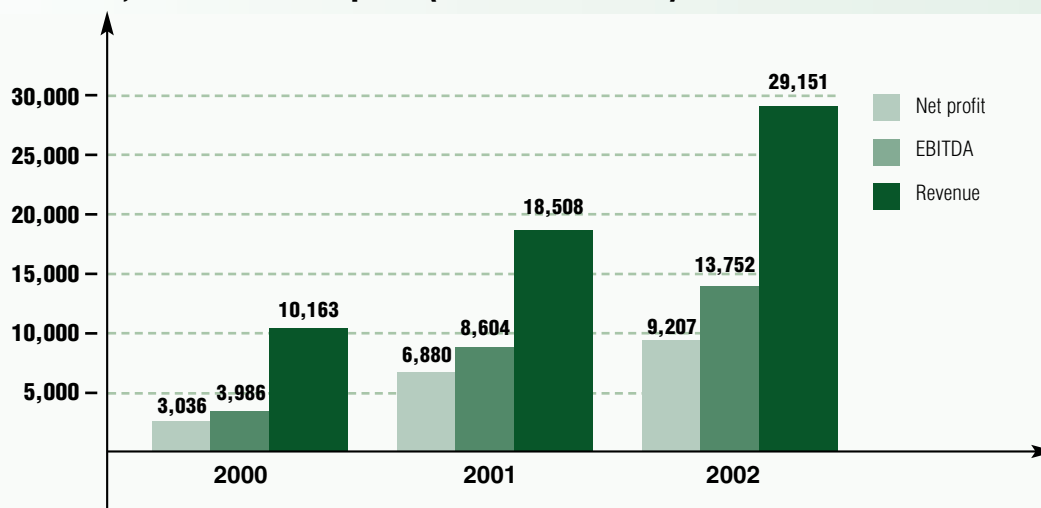


The Board resolved that any acquisitions both in the IT and mass media spheres were inappropriate before the launching of the business television channel. The nature of this decision was to ensure total focus of the company's management on such a large-scale project as RBC-TV.

The Board approved a decision to set up a foreign-based subsidiary of RBC as an important step in the implementation of RBC's strategy of expansion into Western markets. Over the last two years the company has had a very positive experience providing IT services and solutions to Western clients. Taking into consideration a greater demand for offshore programming services, the establishment of the subsidiary abroad will ensure a more efficient interaction for RBC with its clients.

The Board of Directors stressed that in 2002, RBC's business had seen impressive growth, fully in line with earlier projections and agreed with the management's conservative forecast of a 25% growth in existing businesses in 2003.

**Revenue, EBITDA and net profit (thousands of USD)**





Capital structure (thousands of USD)	December 31, 2002
<b>Long-term debt</b>	<b>4,183</b>
Issued capital	4
Share premium account	20,302
Retained earnings	11,439
<b>Total shareholder equity</b>	<b>31,745</b>
<b>Total capital</b>	<b>35,928</b>

### Company's strategy and development perspectives

At present, RBC is in the process of shifting from organic growth to expansion: the company is entering new markets both in Russia and abroad, as well as getting into allied hi-tech and mass media industries. RBC expects further growth due to strong brand recognition and synergy between the company's media and IT arms, which makes it possible to benefit from the distribution of costs, introduce a broader range of products at a lower cost and provide them to a wider client base at a lower price outpacing rivals.

The strategy in the IT sphere is based on further expansion of a range of products and services, as well as constant accumulation of a client base under the conditions of a growing demand for high-quality software. The company constantly broadens the selection of its turn-key software solutions for various types of businesses, based on the combination of proprietary solutions and cooperation with leading Western software vendors. RBC is set to improve its presence on the offshore programming market (export of software made at the request of foreign clients), which has a great potential and is recognized as highly profitable. Active marketing campaigns will let RBC increase its portfolio of offshore programming orders from clients in the CIS, Europe and North America



As far as the mass media and advertising spheres are concerned, the company tends to concentrate on the expansion of the range of goods and services to its traditional audience. As for information services on the Internet, this mainly concerns the introduction of a number of more expensive products for financial market professionals, which will allow the company to increase its earnings per client. New distribution paths that the company is developing now are also supposed to ensure the full coverage of the business audience by RBC. In particular, the company lays its further growth perspectives on the media market on RBC-TV, the first Russian business channel, which is to be launched in mid-2003.

A successful IPO and maintaining transparency and openness standards create additional opportunities for RBC's active development.

The core of RBC's further development strategy is to continue intensive growth and maintain healthy margins.





### Primary risk factors

The company's commercial operations depend on a lot of external and internal factors and may be subject to negative impact. Both quarterly and annual results of the company's operations may substantially change in the future because of many factors, most of which are not under the control of the company or its managerial bodies.

#### Such factors include the following:

- development of the political situation in Russia;
- changes in the macroeconomic conditions for the company's operations;
- changes in the conditions of operations in the advertising and information technologies sectors and the Internet;
- seasonal trends in the use of services by subscribers;
- changes in the demand for advertising services and seasonal trends dealing with expenditures on advertising;
- the company's ability to protect its systems against any failures in telecommunications, power cutoffs or software malfunctions;
- intensification of competition on the market of information technologies, advertising and Internet services.

#### The following factors, which have significant effect on the company's business results, are to some extent controlled by the company:

- the speed of attraction of new subscribers;
- promptness and efficiency of marketing programs implemented by the company to attract subscribers and to promote its services on the market;
- modernization of the company's computer systems and the respective infrastructure;
- promptness and efficiency of the company's investments in the development of new products.

In an unfavorable situation there is a risk that the company will not be able to cut its expenditures fast enough to balance an unexpected fall in revenues, which may have a negative effect on the company's operations and its financial status. In this connection, there are chances that in the future, the results of the company's operations will differ from results that investors expect





and analysts forecast. The above-mentioned factors may also have a negative effect on the price of the company's shares and lead to its decline.

## **Risk management**

The efficiency of the company's operations, conducted under conditions of rather unstable development of business in Russia, largely depends on the professional risk management. Operational and market risks were most important for RBC, as well as for all Russian companies, in 2002. As for operational risks, the risk of losing solvency and profitability of business should be mentioned. Measures intended to resolve these problems should include the following:

- Monthly analysis of the cash flow for the previous month by the Board of Directors of the company, as well as a forecast for the next reporting month (a forecast for the cash flow is given on a biannual basis).
- The company is following a coordinated commercial policy, which as a rule envisages payment for services to be provided in advance.
- The company conducts regular monitoring of strategic kinds of operations, including not only analysis of the existing business, but also consideration of possible alternatives, business environment, etc.

In order to achieve an optimum combination, i.e. the highest possible profitability of business and an acceptable level of risks, the company has developed and adopted a system of risk management. It allows full coverage of any possible financial risk. The potential of the system allows efficient identification of all sources of risk, determination of its economic background, qualitative and quantitative assessment, and risk management on the basis of a standardized methodology in all business sectors and at different levels of managerial decisions.

The concept of risk management in 2002 was based on the following three key elements: a system of risk regulation, the work of qualified staff dealing with risk management, and efficient control procedures.

The system of risk regulation has become the basis of a high standard of management, aimed at making weighed business decisions. The competence and experience of RBC's specialists created conditions for full compliance with the existing risk assessment standards and drawing of reasoned conclusions.





### 1. Share capital of the Company

OA O RBC Information Systems was registered on August 18, 2000. As of the date of registration the share capital of the Company consisted of 840 common shares with 100 rubles in par value.

Currently the Company's share capital includes 100 million registered common uncertified shares with a total value of 100,000 rubles.

The Company has not issued any other securities.

### 2. Floating securities of the Company

The share history of OA O RBC Information Systems is reflected in the table.

#### The floating of the Company's securities

No	Data of issue registration	Number of shares	Share category	Par value, rubles	Total value, rubles	Way of floating
1	November 10, 2000	840	Common	100	84,000	distribution among company founders
2	September 17, 2001	168,000	Common	0.5	84,000	conversion
3	December 21, 2001	84,000,000	Common	0.001	84,000	conversion
4	March 27, 2002	16,000,000	Common	0.001	16,000	public offering



In April 2002 the company went public after executing the first successful IPO in Russia. OAO RBC Information Systems floated 16% of its shares on the major Russian stock platforms, RTS (ticker RBCI) and MICEX (ticker RU14RBCI4001) at \$0.83 per share; as a result, the company attracted \$13.28 million in financial resources.

The shares of the company are listed on the second-level A quotation list of the Moscow Interbank Currency Exchange (MICEX) and on the A2 quotation list of the RTS Stock Exchange. Currently the 3rd and 4th issues of the securities are listed on exchanges, while the previous issues were redeemed via conversion.

### **3. Dividend policy of the Company**

OAO RBC Information Systems is strategically aiming at the intensive growth of the company's business, which requires the implementation of an integrated investment program. In connection with this, according to a recommendation of the Board of Directors retained earnings for 2001 were allocated for the development of the company.





### Principles of corporate governance

Observing the recommendations of the Russian Federal Securities Market Commission, OAO RBC Information Systems has developed its own Corporate Governance Code, which was adopted by the Board of Directors of the Company.

#### The major principles of corporate governance of the Company are:

- to observe ethical principles of running business and implement the models of the best experiences of corporate governance in the activities of the Company;
- to give shareholders a real opportunity to exercise their rights connected with participating in the Company;
- to have an equal attitude to all shareholders;
- for the Board of Directors to perform strategic management of the Company's operations and to control the activities of executive bodies of the Company efficiently, as well as to report to the General Meeting of Shareholders;
- to manage the current activities of the Company by executive bodies of the Company reasonably and in good faith;
- to reveal information about the Company, including its financial situation, economic indicators, and property and management structure, in a timely manner;
- to observe all rights of interested persons, stipulated by legislation, including employees of the Company, and to create new jobs;
- to provide for active cooperation of the Company and interested persons for increasing the Company's assets, the price of its shares and other securities;
- to control the financial and economic activities of the Company efficiently.



## Corporate Governance Code of the Company

The Corporate Governance Code of the Company is aimed at the improvement of corporate governance, as the development of a civilized system of corporate governance, relations among managers, shareholders (investors) and other interested persons, which provides for the protection of legitimate interests of all categories of participants of corporate relations, is an essential condition for increasing the investment attractiveness of Russian enterprises and the efficiency of using attracted resources.

The Corporate Governance Code includes several basic documents, which reveal the Company's policy and are aimed at increasing the investment attractiveness of the Company, i.e. the Provisions on Information Policy, the Provisions on Dividends, and the Provisions on Material Corporate Transactions.

The major issues of corporate governance are relations with shareholders and the revealing of corporate information, these two issues being closely tied with each other. The Board of Directors adopted the Provisions on Information Policy, which determine documents and information, subject to revealing and providing to shareholders and potential investors, and the procedure of providing and releasing these documents and information. The main principles of revealing information about the Company are the regularity and urgency of providing it; the accessibility of such information to shareholders and other interested persons; the reliability and completeness of its contents; the observing of a reasonable balance between the transparency of the Company and the protection of its commercial interests; the observing of confidentiality regarding the information, which is an official or commercial secret, and control over using insider information. The policy of the Company regarding public relations is aimed at providing a regular and complete information exchange between investors and the Company via all modern communications and mass media, including electronic ones. The Company reveals information about its activities according to the procedure envisaged by current legislation, and posts information on the corporate Website on the Internet at [www.rbcinfosystems.ru](http://www.rbcinfosystems.ru).







One of the aspects, which is of principle importance for shareholders, is paying dividends. To inform shareholders and other interested persons on the dividend policy of the Company the Board of Directors adopted the Provisions on Dividends. The Company has the right to decide on paying dividends on its floated shares after the first quarter, the first six months, and the first nine months of the financial year, and (or) after a financial year. Making a decision on paying dividends on shares of any category and type is the right, not the obligation, of the Company. The dividend policy of the Company for the next few years suggests allocating net profits of the company for the development of the Company.

The Company gives its shareholders an opportunity to influence the improvement of material corporate transactions. This is achieved by setting a transparent procedure based on the appropriate revealing of information about consequences for the Company, which can be triggered by such transactions, and described by an internal document of the Company – the Provisions on Material Corporate Transactions. The Provisions determine the list of considerable corporate actions, the procedure of their approval by governing bodies of the Company and the order of their performance. Among material corporate transactions of the Company are:

- making large deals;
- making related-party transactions;
- purchasing 30 or more percent of the floated shares of the Company (acquisition);
- reducing or increasing the share capital;
- amending the Articles of Association of the Company;
- reorganizing the Company;
- liquidating the Company;
- creating a subsidiary;
- electing members of executive bodies and the Board of Directors of the Company.



## Structure of OAO RBC Information Systems

### The governing bodies of the issuer are:

- the General Meeting of Shareholders
- the Board of Directors (the Supervisory Board)
- the General Director (a sole executive authority)

The supreme governing body of the Company is the general meeting of shareholders. The Board of Directors of the Company performs the general management of the Company's activities. The management of the Company's current activities is executed by the sole executive authority (the General Director), who reports to the Board of Directors of the Company.





### Members of the Board of Directors

**German Kaplun** — Chairman of the Board of Directors. Mr. Kaplun has a background in software consulting and previously held the position of Director of Banking Technology in a Moscow software development company. He is also a co-founder of a bank, a computer hardware/software business and a real estate business. Education: Ph.D. in Economics from the Russian Economic Academy. His stake in the share capital of the Company is 25.04%.



**Alexander Morgulchik** — Vice-Chairman for Business Strategy and Development. Mr. Morgulchik had previous work experience in accounting and banking, and participated in a number of commercial ventures, a bank, a computer hardware/software business and a real estate venture among them. Education: Ph.D. in Economics from the Russian Economic Academy. His stake in the share capital of the Company is 25.04%.



**Dmitry Belik** — Vice-Chairman and Chief Financial Officer. Mr. Belik has been a partner in other ventures along with Mr. Kaplun and Mr. Morgulchik, and is still a partner in a real estate firm. Education: Ph.D. in Economics from the Russian Economic Academy. His stake in the share capital of the Company is 25.04%.



**Hans-Joerg Rudloff** — Mr. Rudloff has held the position of Executive Chairman of Barclays Capital since August 1998. Prior to this, he was Chairman and partner in a family firm, MC BBL Securities. Mr. Rudloff served as Chairman and CEO of Credit Suisse First Boston from 1980 to 1994. His stake in the share capital of the Company is 0%.



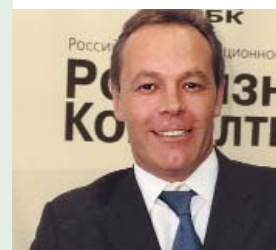
**Givi Topchishvili** — Mr. Topchishvili is the President and Co-owner of the Media Press Corp., a New York publishing house that publishes periodicals for the Russian-speaking community in the USA. He is also the Chief Executive Officer at Global Advertising Strategies, a New York based marketing and advertising company. Education: Master's degree in Physics and Chemistry from Moscow Chemical University. His stake in the share capital of the Company is 2.91%.



**Sergey Lukin** — Since 1991, Mr. Lukin has held management positions at Russian system integration firms in the oil and gas industry and in the banking sector. He began his career at Aeroflot in 1987. Education: higher business education. His stake in the share capital of the Company is 1.07%.



**Michael Hammond** — Mr. Hammond is a Partner of City Capital Corporation Limited. Recently he held the position of Managing Director at ABN-AMRO Rothschild. Prior to this, Mr. Hammond held executive director positions at Flemings, UBS Warburg and Swiss Bank Corporation. He began his career at Credit Suisse First Boston in 1982 and held various senior syndicate/capital market management positions in New York, Tokyo and London. His stake in the share capital of the Company is 0%.



**Oleg Dyatlov** — Mr. Dyatlov began his career with one of the major system integrators in Western Siberia, and has held management positions at a number of system integration companies since 1989. Education: higher economic education. His stake in the share capital of the Company is 1.07%.



**Neil Osborn** — Mr. Osborn started his media career in 1972 as a reporter at the Daily Progress, Charlottesville, Virginia. In 1975 he became a shipping journalist, Lloyds List at the Liverpool Daily Post. In 1978 he joined Institutional Investor as senior editor. He joined Euromoney in 1983 as US editor and became editor of Euromoney at the end of 1985. He was appointed an Executive Director in February 1988. From 1990 he has been publisher and managing director of Euromoney. Neil Osborn is also a Member of the Board for Euromoney Institutional Investor PLC. His stake in the share capital of the Company is 0%.





**Yuri Mostovoy** — Board Member. Currently Mr. Mostovoy is in charge of RBC's international division. Previously he was the Global Head of Quantitative Fixed Income Research Group at Barclays Capital. Before this, Yuri Mostovoy worked with Lehman Brothers and held a Vice President position at Citibank in New York. Mr. Mostovoy is also the President of his own company Interval LLC involved in the development of advanced investment portfolio management systems. His stake in the share capital of the Company is 0%.



**Leonid Khazan** — Director for Marketing and PR. Prior to joining the Company in 1998, Mr. Khazan held a management position at the Bank of Moscow where he was responsible for information processing. Education: higher education in Managerial Economics from Russian Humanitarian University. His stake in the share capital of the Company is 0%.



**Yekaterina Lebedeva** — Chief Administrative Officer. Ms. Lebedeva held management positions at Tekhnobank prior to joining the Company in 1999. Education: Ph.D. in Economics from Moscow Technological Institute. Her stake in the share capital of the Company is 0%.

### General Director of the Company



**Yury Rovensky** — Chairman of the Executive Board (General Director). Prior to joining the Company in 2000, Mr. Rovensky worked for the State Investment Corporation of Russia as a Counselor to the Chairman. Previously Mr. Rovensky held a position at the Russian Union of Industrialists and Entrepreneurs and was an expert for the World Bank. He also has an academic background, having worked at the Russian Economic Academy for 7 years, including as a Vice Chancellor. Education: Doctorate degree in Economics, with additional coursework in Marketing and Financial Analysis at the Harvard Business School and at Groningen University (the Netherlands).





## **Aims, principles and goals of the activities of the Board of Directors**

The aims of the activities of the Board of Directors is to provide for earning maximum profits and to increase the Company's assets, to protect the rights and legitimate interests of shareholders, to continuously control executive bodies, to provide for the completeness, trustworthiness and objectivity of public information about the Company.

**For achieving the aims of the Company the Board of Directors is bound to observe the following principles:**

- to make decisions on the basis of reliable information about the activities of the Company;
- to exclude restrictions of shareholders' rights for participating in managing the Company's business;
- to reach a balance of interest of various groups of shareholders and for the the Board of Directors to make objective decisions to the best extent possible for the benefit of all shareholders of the Company.

**Within its competence, the Board of Directors is to achieve the following goals:**

- to determine the development strategy of the Company;
- to organize the implementation of decisions of the general meeting of shareholders;
- to determine priority lines in the activities of the Company;
- to provide for exercising and protecting the rights of shareholders and to contribute to the settling of corporate conflicts;
- to assess political, financial and other risks, which influence the activities of the Company;
- to adopt plans and budgets for the Company;
- to determine approaches to investment operations and participation in other enterprises;
- to estimate the results of the activities of the Company and its bodies;
- to recommend conditions for paying dividends;
- to determine the criteria for forming the management staff;
- to develop systems and methods of motivating and encouraging personnel;
- to provide for revealing information about the Company;
- to supervise the activities of executive bodies of the Company;
- to provide for efficient control over the financial and economic activities of the Company;
- to adopt procedures of internal control;
- to control the risk management system;
- to provide for the Company's observing current legislation;
- to provide for observing the principles of corporate governance.





### Large deals

In 2002 the Company did not make any deals recognized by the Federal Law on Joint-Stock Companies as large deals.

### Party-related deals

In 2002 the Company made a number of deals recognized by the Federal Law on Joint-Stock Companies as party-related deals.

- 1.** A deal with a shareholder, Chairman of the Board of Directors German Kaplun as a related party, for purchasing a stake of common registered uncertified shares of ZAO SK Garant, including 340 (three hundred and forty) shares with a par value 8 (eight) rubles 40 kopeks. The sum of the deal equal to 2,856 (two thousand eight hundred and fifty-six) rubles was approved by the Board of Directors on February 1, 2002.
- 2.** A deal with a shareholder, Member of the Board of Directors Alexander Morgulchik as a related party, for purchasing a stake of common registered uncertified shares of ZAO SK Garant, including 320 (three hundred and twenty) shares with a par value 8 (eight) rubles 40 kopeks. The sum of the deal equal to 2,688 (two thousand six hundred and eighty-eight) rubles was approved by the Board of Directors on February 1, 2002.
- 3.** A deal with a shareholder, Member of the Board of Directors Dmitry Belik as a related party, for purchasing a stake of common registered uncertified shares of ZAO SK Garant, including 320 (three hundred and twenty) shares with a par value 8 (eight) rubles 40 kopeks. The sum of the deal equal to 2,688 (two thousand six hundred and eighty-eight) rubles was approved by the Board of Directors on February 1, 2002.



- 4.** A deal with a shareholder, Member of the Board of Directors Sergey Lukin as a related party, for purchasing a stake of common registered uncertified shares of ZAO SK Garant, including 10 (ten) shares with a par value 8 (eight) rubles 40 kopeks. The sum of the deal equal to 84 (eighty-four) rubles was approved by the Board of Directors on February 1, 2002.
- 5.** A deal with all shareholders as a related party, for releasing 60,000,000 (sixty million) rubles in a six-month loan (until October 19, 2002) to OOO RBC-Center. According to part 2 article 81 of the Federal Law on Joint-Stock Companies it does not require approval.
- 6.** A deal with all shareholders as a related party, for releasing 60,000,000 (sixty million) rubles in a six-month loan (until November 30, 2002) to OOO RBC-Center. According to part 2 article 81 of the Federal Law on Joint-Stock Companies it does not require approval.
- 7.** A deal with members of the Board of Directors and the General Director of the Company as a related party, for releasing 76,000,000 (seventy six million) rubles in a loan until March 31, 2003 to ZAO RosBusinessConsulting Publishing House. The deal was introduced for the approval of the general annual meeting of shareholders by a decision of the Board of Directors of the Company.

