Preliminary Offering Circular

16,000,000 Ordinary Shares

OAO RBC Information Systems

This preliminary offering circular relates to the initial public offering in Russia of ordinary shares of OAO RBC Information Systems.

The shares have been accepted for simultaneous placement on the Moscow International Currency Exchange (MICEX) under the symbol "RU14RBCI4009" and on the Russian Trading System (RTS) under the symbol "RBCI".

INVESTING IN THE SHARES INVOLVES MATERIAL RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 45 FOR A DESCRIPTION OF SOME OF THE FACTORS THAT POTENTIAL INVESTORS SHOULD CONSIDER BEFORE BUYING THE SHARES.

The issuance of the shares has been registered with the Regional Branch of the Russian Federal Commission for the Securities Markets (FCSM) for the Central Federal District under registration number 1-04-05214-A on March 27, 2002.

A copy of the Russian language version of the prospectus relating to this offering, as registered with the FCSM, may be obtained directly from www.rbc.ru or OAO RBC Information Systems, 78 Profsoyuznaya Street, Building 1, Moscow 117420, Russian Federation.

Aton Capital Group is acting as the lead manager and book-runner for the offering. Alfa Bank is acting as the co-lead manager for the offering.

ATON CAPITAL **ALFA BANK**

FINANCIAL ADVISER

CITY CAPITAL CORPORATION LTD

Preliminary Offering Circular dated April 8, 2002

SELLING RESTRICTIONS

France

Prospective investors in the offering, which is expected to be exempt from public securities offering regulations in France, should note the following: (a) no information document approved by the Commission des operations de bourse will be prepared in connection with this offering, (b) pursuant to French Decree 98-880 of 1 October 1998, the offering may be made in France only to qualified investors or to a restricted circle of other investors, in each case acting for their own account, and (c) any resale, direct or indirect, to the public of the securities may be effected only in compliance with Articles 411-1 and following of the French Code Monetaire et Financier.

L'attention des investisseurs souhaitant participer a la presente operation, effectuee par derogation aux regles regissant l'appel public a l'epargne en France, est attiree sur les elements suivants (a) la presente operation ne donne pas lieu a un document d'information soumis au visa de la Commission des operations de bourse, (b) la presente operation ne peut etre mise en ?uvre, conformement aux dispositions du decret n° 98-880, qu'au sein d'un cercle restreint d'investisseurs ou au profit d'investisseurs qualifies, ces investisseurs devant, dans chaque cas, agir pour compte propre, et (c) la diffusion, directe ou indirecte, dans le public des instruments financiers acquis dans le cadre de la presente operation ne peut etre realisee que conformement aux regles relatives a l'appel public a l'epargne figurant aux articles 411-1 et suivants du code monetaire et financier.

Germany

No prospectus within the meaning of the German Securities Prospectus Act (the “SPA”) has been or will be prepared in connection with the offering. The securities will be offered in the Federal Republic of Germany solely to persons who purchase or sell securities as part of their trade, profession or occupation pursuant to Section 2, No. 1 of the SPA.

In Zusammenhang mit der Emission wird kein Verkaufsprospekt im Sinne des deutschen Wertpapier-Verkaufsgesetzes ("VerkProspG") erstellt oder erstellt werden. Die Wertpapiere werden in der Bundesrepublik Deutschland nur gema? § 2 Nr. 1 VerkProspG Personen angeboten, die beruflich oder gewerblich fur eigene oder fremde Rechnung Wertpapiere erwerben oder verau?ern.

Sweden

This offering circular has not, and will not be registered with the Swedish Financial Supervisory Authority. Accordingly, this offering circular may not be made available, nor may the shares otherwise be marked and offered for sale in Sweden, other than in circumstances which are deemed not to be an offer to the public in Sweden under the Financial Instruments Trading Act (1991:980). THIS OFFERING WILL ONLY BE MADE TO A LIMITED NUMBER OF IDENTIFIED PERSONS OR ENTITIES IN SWEDEN.

United Kingdom

This document is for distribution only to persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.”

USA

The shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, the shares may not be offered, sold or delivered within the United States or to United States persons. In addition, until 40 days after the commencement of the offering, an offer or sale of the shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

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SUMMARY

The Company

In this offering circular, unless the context may otherwise require, "the Company" or "RBC" will mean OAO RBC Information Systems and its subsidiaries collectively.

The Company's core business commenced in 1993 with the establishment of ZAO RosBusinessConsulting in Moscow, Russia, as a domestic financial news media business which rapidly came to rely on the Internet as its primary medium. In 1999, RosBusinessConsulting launched its software and IT business in response to market demand. The ownership of RosBusinessConsulting and its affiliates was consolidated into a holding company, OAO RBC Information Systems, in 2001. RBC today employs nearly 500 journalists, editors, programmers, IT engineers and sales and support staff, including management personnel.

The Company's main Internet resource is located at www.rbc.ru, which was established as one of the first Internet resources in Russia committed to provide high-quality, real-time Russian business and financial market news on the Internet to Russian executives, managers and investors seeking up-to-the minute information.

The Company maintains e-commerce relationships with its advertisers, sponsors and business partners, and provides them with a large, demographically desirable audience. The Company believes that this audience primarily consists of persons who are affluent, highly educated and in a position to make significant purchasing decisions. The ability to use the Internet to target this demographically well-defined and attractive audience has allowed the Company to charge premium rates to advertisers, many of whom are multinational Fortune 500 companies.

For the year ended December 31, 2001, all of the Company's Internet resources attracted over 9 million unique visitors (with separate internet addresses) and the total number of pages accessed on these resources, known as page views or 'hits', reached nearly 720 million during the year.

In addition to selling financial news subscriptions and advertising, the Company has effectively utilized the access to its main audience to develop a complementary IT business. In response to demand among its media audience for online solutions, such as e-commerce technology and web design services, the Company began offering this technology for resale in 1999. This IT business has expanded into software development, system integration, consulting, and other products and services. In less than three years, the Company's IT business has nearly outgrown its main media business in terms of revenues.

Strategy

RBC believes that it can leverage its wide brand recognition and affluent media audience to continue to build its business. The Company's IT business is its fastest growing business, and the management feels that synergies with its media business provide cost sharing advantages and critical mass, which allows the Company to develop more products at a lower cost and offer them to a wider client base at a lower sales cost than the competition. This is the underlying business model that is the basis for the Company's success.

The strategy for the IT business is essentially to continue the same development pattern - to continually add more and more software, programs, Internet solutions and various other IT services to its products and services already in the marketplace. The Company's IT services include system integration, and offshore programming (exporting special order software to foreign clients), which are two of the fastest growing segments of the IT market in Russia. Part of the Company's strategy is to re-use or further develop existing technology, or components of programs, in new IT products, and to continually widen its existing client base.

The Company's strategy for its media business is similar to its IT business strategy in that it is centered on offering a wider range of products and services to its traditional audience. Specifically, the Company is adding more value-added products, such as analysis and research reports on specific companies or sectors in the Russian economy. At the same time, the Company plans to develop additional distribution channels for its media services, and thus increase its client base.

The Offering

The issuer	OAO RBC Information Systems.
The offering	16,000,000 ordinary shares.
Offering structure	The offering comprises a public offering of ordinary shares in the Russian Federation and a private placement in Germany, Sweden, Switzerland and the United Kingdom.
Offering price	$• or RUR • per share.
Capital stock	Upon completion of the offering, the Company's capital stock will consist of 100,000,000 issued and outstanding ordinary shares.
Dividends	Annual dividend payments, if any, must be recommended by the board of directors and approved by shareholders. The ability of RBC to pay dividends is also restricted by Russian law. The Company expects to reinvest earnings into business development. Therefore, no dividends are projected in the near term.
Use of proceeds	The Company intends to use the net proceeds from the offering to fund increased sales and distribution efforts, to further develop its IT research and development efforts, for its working capital, and for other general corporate purposes. The net proceeds may also be used to acquire or invest in appropriate related businesses or to acquire complementary resources where suitable opportunities arise. However, there are no firm plans, commitments, negotiations, or understandings with respect to any such acquisitions at present.
Listing and trading	The shares have been accepted for simultaneous listing on the MICEX under the symbol “RU14RBCI4009” and on the RTS under the symbol “RBCI”.
Form of securities	The shares being offered are ordinary registered shares in non-documentary form.
Offering date	The offering process will conclude on April 18, 2002. See the "Settlement, Clearing and Trading" section beginning on page 74 for a more detailed discussion of the offering procedure.
Lock-Up	The Company's existing shareholders have agreed, subject to certain exceptions discussed more fully in the "Lock-Up Arrangement and Share Option Programs" section

	beginning on page 37, not to transfer or dispose of, directly or indirectly, any shares in the Company, or securities convertible into or exchangeable for such shares, or vote in favor of the issue of new shares, for a period of 12 months after the date of this offering without the prior written consent of Aton Capital Group.
Convertible Notes:	In December 2001, the Company entered into a structured loan arrangement with a special purpose vehicle, RBC Investments (Cyprus) Limited, whereby the latter issued convertible notes in the aggregate principal amount of $5,000,000 (the "Notes"), the net proceeds of which were loaned to the Company. The Notes are convertible into ordinary shares of the Company, but only on set dates falling after the 90th day following the date of the present offering (unless the Company agrees to allow early conversion) and subject to certain other conditions. The conversion price of the Notes will represent a 10% discount to the offer price for the ordinary shares. It is intended that the conversion obligation relating to the Notes will be satisfied by the transfer of already existing ordinary shares of the Company, currently held by the existing shareholders. See the "Significant Transactions" section beginning on page 40 for a more detailed discussion of the Notes.

Summary Financial Information

The summary financial data set forth below should be read in conjunction with the Consolidated Financial Statements presented in the "Management Discussion and Analysis" section beginning on page 24.

The following table contains the summary financial information for the last two years:

	31 December 2001 $'000	***31 December 2000 $'000***
Revenue	16,954	8,828
Gross profit	8,611	4,895
Profit from operations	6,891	3,210
Net profit	**6,302**	**2,637**
Audited earnings per share		
Basic	$0.075	N/A
Number of outstanding ordinary shares		
Basic	84 million	N/A

The pro forma financial results represent the sum of the audited consolidated financial statements of the Company for the last three months of 2001 and the combined audited financial statements of its subsidiaries for the first nine months of 2001. As these financial statements relate to different legal entities, the pro forma financial results are not the subject of an opinion from the auditor and are presented in this offering circular for illustrative purposes. However, the management believes that the pro forma financial statements adequately reflect the Company's annual financial position in 2001.

WHERE YOU CAN FIND MORE INFORMATION

More information about the Company, including a copy of the Russian language version of the prospectus relating to this offering as registered with the Russian Federal Commission for the Securities Markets, may be obtained directly from the Company by a request in person, in writing, or by telephone at the following address:

OAO RBC Information Systems

78 Profsoyuznaya Street, Building 1

Moscow 117420

Russian Federation

Attention: Igor Lanskoi,

Investor Relations Department

Telephone: +7-095-363-0313

An electronic version of such prospectus may be obtained from the Company's Web site:

www.rbc.ru

The offering price per share and other related information missing from this preliminary offering circular may be obtained from the Company upon completion of the offering process.

FORWARD-LOOKING STATEMENTS

This offering circular includes forward-looking statements. Investors can identify these statements by forward-looking terms such as "may", "will", "expect", "anticipate", "believe", "estimate" and "continue" or similar words. Investors can also identify them by the fact that they do not relate strictly to historical or current facts. Statements that contain these words should be read carefully because they discuss the Company's future expectations, contain projections of the Company's future results of operations or of the Company's future financial condition, or state other "forward-looking" information. The management of the Company believes that it is important to communicate its future expectations relating to the Company's investors. However, there may be events in the future that the management is not able to accurately predict or control and that may cause the Company's actual results to differ materially from those expected. These factors should be considered carefully and investors should not place undue reliance on the forward-looking statements in this offering circular. Before investors invest in the Company's shares they should be aware that the occurrence of the events described in the "Risk Factors", "Business" and "Management Discussion and Analysis " sections and elsewhere in this offering circular could harm the Company's business, operating results and financial condition. All forward-looking statements attributable to the Company, its management or persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained throughout this offering circular. The Company is under no duty to update any of the forward-looking statements after the date of this offering circular or to conform these statements to actual results.

BEFORE INVESTING IN THE COMPANY'S ORDINARY SHARES POTENTIAL INVESTORS SHOULD CAREFULLY CONSIDER THE VARIOUS RISKS INVOLVED.

THESE RISKS ARE DISCUSSED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 45, WHICH SHOULD BE READ IN CONJUNCTION WITH ALL THE OTHER INFORMATION CONTAINED IN THIS OFFERING CIRCULAR.

BUSINESS

The Company is a prominent domestic-owned media and IT company in Russia. The Company offices are located in Moscow, with affiliated offices in St. Petersburg and New York. The Company's current staff consists of nearly 500 employees, about 80% of whom are journalists, analysts, consultants and software engineers.

In addition to media service subscribers, advertisers and IT clients, the Company serves various Russian government institutions, over 300 banks and investment firms, accountancy firms and other financial institutions, media companies and IT businesses. The Company's major corporate clients include several large international accounting firms and a number of other "Fortune 500" companies. Key government clients include the Ministry of Railways, the Ministry of Labor, the Ministry of Atomic Power and the Ministry of Economic Development.

The Company has two main business areas: media and IT. The Company's media business consists of information (financial and business news), general news, advertising and value-added research reports, analytical reviews and consulting. The IT business includes turnkey solutions, general programming, system integration, research and development, and IT consulting.

RBC Revenues by business line

In $ '000	***1999****	***2000***	***2001***
Media	2,550	6,003	9,835
IT	300	2,825	6,791
Other	10	0	328
Total	2,860	8,828	16,954
Growth	-	209%	92%

* *Per unaudited accounts*

The Company's main Internet resource is located at **www.rbc.ru**, which was established as one of the first Internet resources in Russia committed to provide high-quality, real-time Russian business and financial market news to Russian executives, managers and investors, seeking up-to-the minute information.

RBC maintains e-commerce relationships with its advertisers, sponsors and business partners, and provides them with a large, demographically desirable audience. The Company believes that this audience consists of affluent and highly educated persons who are in a position to make significant purchasing decisions. The ability to use the Internet to target this demographically well-defined and attractive audience has allowed the Company to charge premium rates to advertisers.

The Company's expertise in the development and supply of IT solutions was developed initially to meet its own requirements in its media business. The IT business is now an independent business line for the Company, separate from its media business. The Company has been able to build on its existing client base to develop advertising and other parts of its media business, as well as its IT business.

One of the Company's key strengths is its ability to offer a combination of content, technology, and connectivity to the business community around the world. RBC believes that it already enjoys a high name recognition rate in the Russian business community, and intends to actively promote itself through advertisement, sponsorships and promotional campaigns.

The Media Business

Introduction

The Company's media business, established in 1993, was the first of the present core businesses from which Company has since diversified. Information provided by RBC includes political news, business and technology news, analytical commentaries, quotes from recognized exchanges and over-the-counter markets. The Company's core asset is its audience, which it has developed by offering:

- Timely, business and financial news content from a variety of sources, including a network of sources throughout various regions of Russia;
- A focus on the interests and demand of the Russian business community;
- Tiered levels of service: free, paid subscription and pay-per-view; and
- An efficient Internet sales channel.

The media business generates revenues from the following sources:

- Online information sales, consisting of subscriptions and special in-depth analytical reports and content;
- Advertising, sponsorship and e-commerce; and
- General news.

Internet advertising is aimed at the business and finance news audience. This audience consists mainly of entrepreneurs, executive officers or upper and middle management, according to Internet surveys (see "Client Base" below). The Company conveys its own generated media content, as well as bought-in content on its Internet resources.

The Company's target audience demands online media and value-added services that are responsive to their specific local interests and needs, as opposed to services that offer only English-language content or homogenized pan-regional content. In this regard, the Company is able to position itself in the higher end of the media market, and does not compete directly with pure news portals aimed at the mass market.

The high level of traffic generated by the Portals and the well-defined, affluent business audience makes them of interest to advertisers. In fact, this enables the Company to charge premium rates for its main Portal. Advertising generates an important revenue stream for the media business, accounting for almost 46% of the Company's total revenue in 2001.

RBC has a young and energetic sales and marketing team and is renowned for its innovative approach. The Company was one of the first to introduce ticker tape headlines, newsflashes, and other real-time informers on the Russian Internet. Innovative products such as these and the Company's overall innovative approach have helped the Company win contracts for the provision of information with major international business news companies.

Media Market

Estimates of the number of regular Internet users in Russia vary. Figures released by the Russian Ministry of Communications in February 2002 put the number of regular Russian Internet users at 4.3 million in 2001, a 39% increase over the previous year. *IDC*, a leading global IT media and research firm, estimates that in 2001, there were roughly 3.8 million individuals in Russia that used the Internet at least once per month. *Kommersant* newspaper, *Accenture* and *SpyLog*, who during the course of 2001 conducted an Internet statistical index, estimate that there were between 4 and 4.5 million Russians who used the Internet on a regular basis in 2001, representing growth of 54% over the previous year. According to this data, the size of the Russian Internet audience peaked in December 2001, when at least 8.5 million Russians used the Internet at least once (even if for the first time). The Ministry of Communications projects that the number of regular Internet users in Russia will grow to 10 million in 2004, and will exceed 26 million by 2010.

As with the number of Internet users in Russia, estimates on the size of the online segment of the advertising market in Russia also vary. While there are still no formalized, universally accepted estimates, the primary indicator used by market participants has been market surveys. Year 2002 market forecasts of the turnover of advertising agencies range from $3 to $14 million. However, these numbers reflect turnover of such advertising businesses in general, without taking into account the turnover of Internet portals and direct ad placements. According to audited financial statements, the Company's online advertising revenues exceeded $5.8 million in 2001 and the overall advertising revenue surpassed $7.7 million.

The *Russian Center for Internet Technology* (ROCIT) estimates the size of the Internet advertising market in Russia at $8 million in 2002, and $15 million in 2003. *Arthur Andersen* and *UBS Brunswick Warburg* offer more optimistic forecasts, which are shown below:

Name	***2002 ($ mln)***	***2003 ($ mln)***
Arthur Andersen (optimistic scenario)	70	150
UBS Brunswick Warburg (average scenario)	30	50
ROCIT (conservative scenario)	8	15

Source: Cnews

RBC believes that as the Internet achieves broader acceptance by businesses and consumers in Russia, growth potential for web-based advertising is greater than for traditional media advertising. Statistics provided by the *Russian Association of Advertising Agencies* ('RAAA') would seem to support this. In 2001, the fastest growing sectors of advertising in Russia, according to RAAA, were Internet and movie theater advertising, which grew at by 67% and 75% respectively.

According to RAAA, the advertising market in Russia grew by some 54% to $1.73 billion, reaching pre-crisis levels in 2001. Russian advertisers expect high rates of growth to continue.

Strategy for the Media Business

The Company believes that the following will continue to be key drivers of growth in its media business, and in business news in particular:

- consolidation in the media industry;
- development of new and improved information products;
- development of capital markets in Russia; and
- growth of the overall Russian economy.

RBC expects its advertising revenues to continue to grow along with its media business. Management expects this growth to be supported by new Federal legislation restricting television advertising and the recent change in the tax laws that mean advertising expenses are now tax deductible in Russia.

These opportunities form the foundation upon which the Company has built its media business strategy. To this end, the Company's media strategy includes the following:

- To continue to improve and supplement media and Internet products and services, placing a greater focus on value-added products and services. These include sales of archived information, analytical research products on sectors and specific companies, customized special research projects, and consulting. New products and services will be developed independently, or in some instances through strategic alliances, partnerships or acquisitions.
- To continue to expand its brand-name recognition in Russia and the CIS. To this end, the Company will focus on expanding distribution channels, and increasing sales efforts.

Media Competition

The Company's competition in its media business can be categorized as follows: news agencies, Internet portals, online advertising agencies and traditional advertising agencies in Russia.

News Agencies

RBC is one of the leading information agencies in Russia providing financial information in terms of news items generated per day. Its main competitors are *ITAR-TASS* and *Interfax*. Other significant competitors include *Reuters* and *AK&M*.

RBC has a number of cooperation agreements with the main news agencies: essentially a system of barter settlements for exchanging news items. It also has a broad regional network in Russia that represents a significant competitive advantage compared to *Reuters* and *AKM-List*. For the business news market, *Interfax* is the Company’s strongest competitor.

The Company’s main Internet competitors are the information sites *Lenta.ru* and *Gazeta.ru*. Both businesses were established as sites to transmit and edit information from other sources. The competitive advantage of these competitors is their size. As they do not produce news items themselves, they are able to operate with a smaller staff of about 25 to 35 editors, journalists and programmers.

Internet Portals and Online Advertising Agencies

Rambler, Yandex, Mail.ru and *Aport* are presently the Company’s main competitors in the Internet portal and on-line advertising market. These are the four largest Internet portals in Russia in terms of unique viewer audience according to the continuous statistical rating systems *Rambler Top 100, SpyLog, Mail.ru,* and *One.ru*.

Unlike the Company’s Portals, these competitors operate “classic portals” aimed at the mass-market. They focus on offering universal services, such as free e-mail, hosting, Internet search engines, catalogues and ratings, dictionaries and encyclopedias, shopping, entertainment and general information. As they do not provide any specialized information, their audiences are demographically very diverse, and cannot be easily segmented or targeted as a consumer audience.

Traditional Advertising Agencies in Russia

The number of companies providing advertising services is growing rapidly. According to data from *Grebennikov Publishing House*, there were 1,495 advertising companies in 1998, and more than 2,300 companies in 2000. At the same time, according to *Cnews*, roughly half of all advertising spending goes to only ten of these companies.

The major participants in advertising market in Russia conduct the majority of their advertising offline and, as such, RBC does not consider them to be direct competitors.

Financial News and Business Information

Through its main Portal, RBC supplies Russian and CIS financial and corporate markets as well as news media with a wide range of information and news products. These include real-time news, financial data from Russian and world exchanges, numerical, textual, historical and graphical databases, news analysis and corporate and branch research.

Revenue by financial news product line in 2001 is given in the table below:

Product	***2001 Subscriptions***	***2001 Revenue, $‘000***
Online news and quotations	4,305	1,816
Offline news and comments	734	177
Analysis and Research Reports	132	89
Total	5,171	2,082

Source: RosBusinessConsulting

Revenue from news and information sales reached nearly $2.1 million in 2001, which accounted for 12% of total revenues. News and information sales grew by 12% over the previous year.

Products and Services

On average, RBC generates between 500 and 550 financial and business news items per day, which is comparable to Interfax, its main competitor in this media sector.

Financial news and business information products can be categorized as follows:

- *Online News*. RBC provides information to more than 5,000 subscribers in online and e-mail formats. Its subscribers include some of the world's largest databases and news agencies which distribute information provided by the Company through their own networks. Information is available online, through broadband Internet radio broadcasting (via Comcor-TV channels), via WAP (wireless application protocol) and pager. The Company has developed a number of market analysis software products and online financial tools for online business news subscribers.
- *Online Quotations*. RBC has its own stock index, which tracks a portfolio of large Russian 'Blue-Chip' companies. The Company also provides online quotes and interactive graphs from all Russian and major international exchanges as well as from its own trading platform.
- *Offline News and Commentary*. Business news information is also offered to subscribers in hardcopy print and CD-ROM formats.
- *Analytical and Research Reports*. RBC increasingly seeks to offer a wider assortment of value-added analytical and research products, such as reports on a particular company or an industry sector. Many of these research products are available online and sold 'off-the-shelf' to a number of clients. The Company's research department also provides customized research reports on a special order basis.

Client Base

Subscribers pay a subscription fee to gain full access to the Company's financial news and business information services available on its main Portal. According to surveys (see below), about 70% of these subscribers are Russian companies based in Moscow and St. Petersburg.

Approximately 70% of all business and finance subscribers sign up for online news, which accounts for nearly 84% of revenues from all news subscriptions. In 2001, there were over 5,000 news subscriptions with an average turnover of about $40 per subscription.

RBC's audience has participated in Internet surveys conducted in May 2001 by *Pro Active International* and the *MASMI Research Group*. Results of these surveys have provided a detailed demographic analysis of the Company's audience as summarized below:

Demographics	*Description*
Age	50% are financially independent people, age 25 to 34
Gender	78% male 22% female
Professional Status	42% are financially sound entrepreneurs or company executives 54% are upper and middle level managers
Financial Status (Monthly income)	53% earn 1,000 to 1,500 euros 11% earn 1,500 to 2,500 euros 7% earn 2,500 to 5,500 euros 2% earn more than 5,500 euros
Education	82% have a higher education 81% understand and speak English 17% have a vocational education
Geographic Location	55% live in Moscow 12% live in St. Petersburg 27% live in main industrial regional centers 6% live in foreign countries
Purchasing Power	43% take a foreign holiday at least once a year 22% have moved to a new house or flat 32% are ready to buy a foreign car
Computerization	75% have Internet access at work 22% have Internet at home, and spend an average of 137 minutes online per day 57% have made RBC their home page on their PC 98% have e-mail

Source: MASMI

Since RBC offers its clients a well defined, affluent target audience, it is able to charge premium rates for its main Portal.

Advertising

RBC's advertising revenues (as shown in the table below) experienced a nine-fold increase over the last three years.

Advertising revenues	*1999*	*2000*	*2001*
Advertising exposure, hits mln	87.7	244.9	442.4
Per-view advertising revenue, $ '000	702	2,449	5,840
Other, in $ '000	248	1,699	1,913
Total advertising revenues	950	4,149	7,753

Source: RosBusinessConsulting

Continued advertising revenue growth is a function of a larger business audience, and sizeable advertising budgets from large corporate clients. This larger audience, in turn, is partly a function of a growing number of Internet users in Russia, and more viewers taking an active interest in business and financial markets as the economy develops.

At present, RBC has approximately 1,000 advertising clients, a large number of which are other businesses offering IT, communications, financial or media services. Many clients are engaged in some form of wholesale or retail trade.

Many new clients emerged in 2001 in the automotive business, as did producers of luxury goods. In addition, more Russian advertisers emerged in 2001, accounting for over two-thirds of the top 20 advertisers by sales volume. The top 20 advertisers in 2001 generated revenues of $2.43 million, roughly 31% of RBC's aggregate advertising revenues.

General News

For a wider mainstream audience other than its main business news audience, RBC employs a separate news team that provides general news topics, i.e., non-financial or business news. This team generates on average 300-350 news items per day. This news is published in a daily Internet newspaper produced by the Company called "Utro" (the Russian word for 'Morning').

The content covered by Utro includes a broad array of topics of interest to Russian-speaking and world business community audiences, including real-time coverage of local, regional, and world news, weather, local television programming and sports. Most of the information provided by RBC comes from its own sources, but the Company also has arrangements in place with regional Russian or CIS news agencies to distribute their information. This general news resource is important for the Company in order to broaden its audience by attracting new target groups.

Since general news is free, it generates revenue from advertising sales only, not from subscriptions. A suitable performance indicator is therefore the size of the audience on the www.utro.ru Portal where Utro is published. On a quarterly basis, visits to the Company's general news site increased by almost 52% in the third quarter of 2001 from 12.1 million hits to 18.4 million, and by nearly 30% in the fourth quarter of 2001 from 18.4 million hits to 23.9 million, according to Company statistics.

The IT business

Introduction

From its origins as a media company, RBC developed expertise in online technical services and managing online information flows. RBC gained experience in facilitating a heavy volume of traffic at peak hours, especially during major media events, and its software programmers accordingly developed customized internal content management software to cope with these volumes. This software proved to be of interest to external customers and hence became the first IT product in the Company's resale product line. The range of products developed in this manner has expanded beyond the Internet over the years, and now includes a range of enterprise management and client relationship management software, web-based IT solutions, government software contracts, custom programming services for foreign clients (offshore programming), system integration and consulting services.

The Company's IT revenues reached nearly $6.8 million for the year ending 31 December 2001, which accounted for approximately 40% of total revenues.

The Company's IT business comprises several types of income streams: sales of pre-developed software, or turnkey solutions, custom programming for clients in Russia and abroad, value-added web services, IT consulting and system integration. Research and development is considered a separate division within the IT department, but many of the products it develops are eventually commercialized and sold as turnkey solutions.

The following table shows the growth dynamics of each IT revenue stream over the last three years:

IT Sales ($ '000)	*1999*	*2000*	*2001*
Programming, Turnkey Solutions and R&D	300	2,505	3,685
Offshore programming (foreign clients)	-	300	1,505
System Integration & IT Consulting	-	20	1,601
Total	**300**	**2,825**	**6,791**

Source: RosBusinessConsulting

IT Business in Russia

According to *IDC*, the total volume of the Russian IT market grew about 25% in 2001 and surpassed the $3.3 billion level. This represents approximately a 1% share of the entire GDP.

Forecasts for growth of the Russian IT market vary. The Russian federal government, which is actively funding and promoting development in this sector, expects the IT market to grow twofold or threefold by 2005, and by five to six times by 2010.

The Russian federal government is actively supporting development of the IT sector in Russia. The "Electronic Russia" federal program, which has been endorsed for the years 2002 through 2010, is a Ministry of Communications program targeted at developing information technologies throughout the country. Its objective is to improve Russian citizens' access to information resources and to increase the level of IT automation in various public and private organizations. As part of this program, state ministries and agencies will move towards 65% paperless document turnover by 2010.

Strategy for IT business

One of the main objectives for the Company's IT business is to become a leading provider of integrated software solutions in the Russian market. Other major areas for future IT development include offshore programming (outsourcing), system integration, and new R&D projects such as 'anti-spam' e-mail filtration systems and voice recognition systems. Government orders will also continue to provide substantial revenues, although, given the difficulty in securing contracts from the Government, the Company is cautious about placing substantial reliance on such revenues.

The Company intends to pursue strategic acquisitions of companies, and in some cases, key personnel, with certain technology and know-how that the Company lacks. The Company feels that augmenting its intellectual resources (people and technology) will allow it to increase its product portfolio and its client base.

IT Competition

The Russian IT market is very competitive with approximately 8,000 companies offering IT products and services. According to *Cnews*, over half of all IT orders in Russia are awarded to small firms or individuals that do not report their IT revenues. At the same time, the turnover of eight of the larger IT companies accounted for roughly 12% of the total market in 2001, suggesting that the fragmented IT market may be beginning to consolidate.

Corporate clients

RBC provides programming services in Windows and UNIX application development as well as database programming. The Company uses all modern programming technologies, including XML, RUP, Java, .NET and technologies developed by major software companies (Oracle, IBM, Microsoft and Sun).

RBC has more than 70 programming contracts in place at the present time. Some larger clients include well-known Russian 'blue-chip' companies, federal government agencies and a number of "Fortune 500" multinational clients.

Offshore programming

The Company believes that Russian software programmers can break into the $6 billion offshore programming market that is dominated by Indian firms. RBC believes that this opportunity is based on increased stability in Russia and the fear of many European and American firms of losing critical intellectual property or know-how to Indian competitors, which makes them less willing to outsource work to Indian software firms.

Offshore programming is a very important part of the Company's programming business. Approximately 30 programmers are now focused on offshore programming orders.

Government orders

Government orders formed a significant part of the general programming revenues in 1999 and 2000. A number of other government organizations are currently reviewing project bids including bids from the Company.

Turnkey Solutions

Turnkey solutions are ready-to-use applications or software components that have been previously developed for the media business, as a custom order for a specific customer or as an R&D project. Turnkey solutions can be divided into the following four categories:

- *Corporate solutions* include Customer Relations Management (CRM), Corporate Informational Systems, time and personnel managers, project management systems and corporate search engines (in cooperation with Alta Vista).
- *Internet solutions* include website design and content management, e-commerce and online shopping solutions (Easy Shop), and WAP (Easy WAP).
- *Logistics and enterprise solutions* include Enterprise Resource Planning (ERP), Supply Chain Management (SCM), dealer network, e-procurement and e-logistics systems.
- *Financial services* include online stocks and quotes, portfolio management, Internet trading, financial games and technical analysis.

Currently, the Company is the sole representative of *VeriSign*, *Network Solutions* and *Alta Vista* in Russia. The Company participates in the *Intel* e-Business Provider Program and *IBM*'s 'Partnerworld for Software' Program.

Research and development

RBC provides its software services to major industrial and financial companies as well as a variety of governmental institutions. The Company's major R&D clients include a large Russian oil and gas business and one of the largest banks in the world.

R&D projects can be categorized as website or Internet related, or as retail turnkey solutions.

R&D projects related to web site development and Internet services were all completed in 2001, and require no further investment in 2002. Projects related to retail solutions are at various stages of completion, and five of the ten existing projects will require further investment in 2002.

The Company uses certain criteria in making a decision to launch a new R&D project. The Company tries to re-use its pre-developed technology, program features, components or know-how. Likewise, it carefully monitors developments in Western IT markets and studies these prospects for development in Russia, including conducting surveys among potential customers.

Future R&D projects include, among others, e-mail filtration ('anti-spam') software, and a Russian language voice-recognition system.

System Integration

System Integration is a new IT service launched by the Company in 2001, incorporating a wide range of IT solutions such as network infrastructure, consulting, system design, cabling, smart buildings, wireless, and other hardware and software solutions.

RBC also sells its products through alliances with leading global IT service providers and system integrators, as referred to in the Turnkey Solutions section above.

IT Consulting

In order to provide a full package of services to its customers, the Company also offers IT consulting. These services are not restricted to the Internet and include IT and software auditing, review and development of existing IT infrastructure, business analysis, strategic planning, IT administration, re-engineering, system consolidation, preparation of concepts, industrial assessments and marketing analysis.

Website design/Website editing tools

Building on the Company's programming expertise and its e-commerce activities, the Company offers a wide range of web design, programming and consulting services. The Company's website design services range from creative input (including 'look and feel' design) to full testing, integration and launch of the site. RBC also provides ongoing maintenance and support under a support contract once sites are launched.

Website editing tools enable a user who is not familiar with HTML and programming to build a website. The website editing tools offered by the Company consist of a modular website construction system with a web interface.

Value Added Web Services

RBC supplies various value-added Internet IT services to support and diversify its media business customer base. These include the services outlined below:

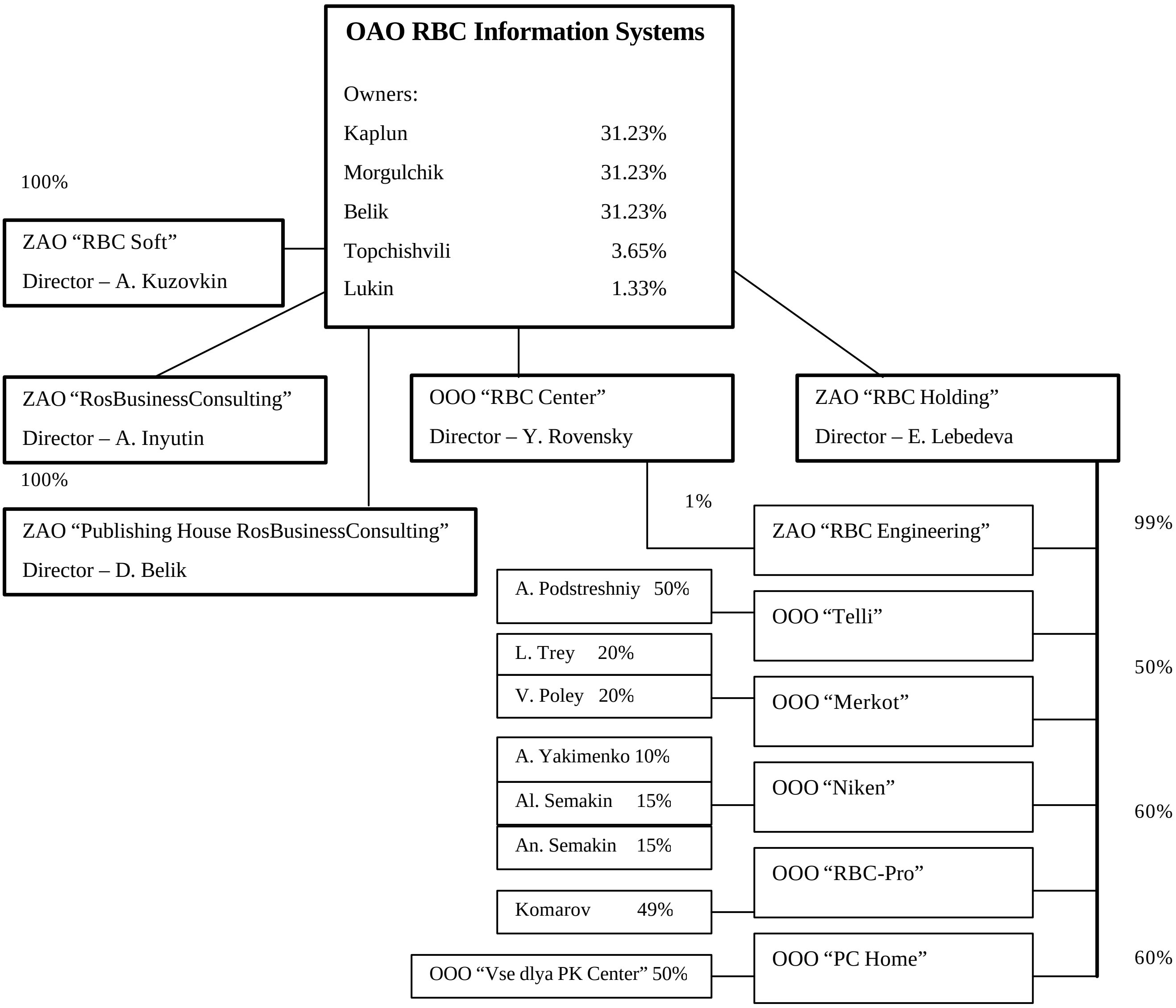
- *Secure site services*. RBC provides digital certification services as the exclusive representative of *Thawte* (a *VeriSign* company) in Russia. New Russian legislation on digital signatures came into force in January 2002. The Company therefore expects the market for digital certification services to undergo expansion.
- *Secure e-mail services*. RBC provides a business e-mail service with wide functional capabilities. It is accessible from the web as well as IMAP and POP3 protocols. The service includes e-mail forwarding. The e-mail account provided by the Company interfaces with all protocols via Secure Socket Layer (SSL) connection. In addition, all e-mail protocols support SSL.
- *Domain name registration.* RBC provides domain name registration services which are relatively easy to sell at a relatively low cost to the Company. The Company markets domain names to the consumer and explains their advantages. Services include registration of domain names as well as providing hosting facilities. As the Company does not hold a license for hosting facilities, these services are outsourced to subcontractors.

RBC is a non-exclusive licensee of *Network Solutions* in Russia as well as of *RosNIIROS* (Russia's national registrar of domain names). The Company is thus able to offer registration of domain names in Russian and English with the '.com', '.net' and '.org' domain extensions as well as registration of domain names in English with the '.ru', '.biz' and '.info' domain extensions.

HOLDING STRUCTURE

The ultimate holding or parent company was incorporated and registered on 18 August 2000 as a Russian open joint stock company (OAO) called Netrus Holding in the register of the Moscow Registration Chamber, number 002.010.991. OAO Netrus Holding was renamed OAO RBC Information Systems on 13 September 2001 and re-registered as such on 24 September 2001.

The Company's holding structure is illustrated below. OAO RBC Information Systems is presently the ultimate holding or parent company and wholly owns each of its subsidiary enterprises. For information, the table also includes details of the Company's joint venture interests.



The business activities of each of the aforementioned subsidiaries are described below:

RosBusinessConsulting was incorporated as a ZAO, a Russian closed joint stock company, in 1993, and has at all times remained an operating company. This subsidiary conducts the core information agency business of the Company.

RBC Soft was incorporated as a ZAO, a Russian closed joint stock company, in 2000. At present it is dormant, but it is intended that this subsidiary will conduct all of the software development activities of the Company.

RBC Center was incorporated as an OOO, a Russian limited liability company, in 1998. It performs long-term agreements, domain-name registration, e-commerce activities, system integration and other new branches of business.

RBC Holding was incorporated as a ZAO, a Russian closed joint stock company, in 2000. It functions as the holding company for the Company's joint venture interests or other equity participations, as described in the "Joint Ventures" section beginning on page 19.

Publishing House RosBusinessConsulting was incorporated as a ZAO, a Russian closed joint stock company, in 1997. This subsidiary has been registered in Altai, a Russian tax incentive zone, to take advantage of local corporate tax exemptions and its existence adds tax efficiency to the Company's operations.

Name	***Date and Place of Incorporation***	***Company Number***	***Registered Office***
RosBusinessConsulting	14 July 1993, Moscow Registration Chamber	652098	Profsoyuznaya St., 85/35 Room 603-T, Moscow
RBC Soft	18 January 2001, Moscow Registration Chamber	002.026.658	Leninskiy Prospekt, 75/9, Moscow
RBC Center	10 February 1998, Moscow Registration Chamber	871656	Sadovaya-Chernograzkaya, 3B, Bldg 1, Moscow
RBC Holding	19 December 2000, Moscow Registration Chamber	002.024.115	Leninskiy Prospekt, 75/9, Moscow
Publishing House RosBusinessConsulting	26 November 1997, Altai local authorities	E.127	Gorno-Altaisk, Ulgashev St., 13.

The present holding structure was established through a series of inter-company share transfers among the predecessor shareholders and the present holding entities. These transfers suffered from a number of procedural errors which the Company is currently in the process of curing. See the "Risk Factors" section beginning on page 45 for a discussion of the risks associated with these errors.

JOINT VENTURES

The Company participates in joint ventures where it is necessary to consider the needs of its customers and the requirements of specific transactions. It is the Company's policy to hold not less than 50% of the interests in a joint venture that bears the RBC name. In addition, the Company insists on having an ability to influence material business decisions in all joint venture arrangements entered into by it. The Company, through RBC Holding, has the following joint venture interests or other equity participation.

Name	*Date and Place of Incorporation*	*Company Number*	*Registered Office*	*% Held by the Company*
OOO PC Home	29 September 2000, Moscow Registration Chamber	652098	Profsoyuznaya St., 85/35 Room 603-T, Moscow	50
OOO RBC-Pro	13 March 2001, Moscow Registration Chamber	002.026.658	Leninskiy Prospekt, 75/9, Moscow	51
OOO Telli	3 November 1999, Moscow Registration Chamber	087.357	Blagoveschenskiy Pereulok 10, Moscow	50
OOO Merkot	12 April 2000, Moscow Registration Chamber	098.370	Gaivoronskiy Proezd 20, Bldg. 1, Moscow	60
OOO Niken	12 April 2000, Moscow Registration Chamber	098.260	Gaivoronskiy Proezd 20, Bldg. 1, Moscow	60
ZAO RBC Engineering	22 February 2001, Moscow Registration Chamber	002.032.639	Leninskiy Prospekt, 75/9, Moscow	100

The rationale for entering into most of these joint ventures, which are generally small-scale, is to provide a cost effective platform for advertising the services of the Company or for placing advertisements. The aggregate revenues from all joint venture interests accounted for less than 2% of the Company's total revenues in 2001.

OOO PC Home is a joint venture with OOO "Vse dlya PK Center" for the online sale of computers and office supplies via the "Vse dlya PK" website. The joint venture is dependant on the Company for advertising, technical support and for its server. Although the joint venture receives daily sales reports, the joint venture partner carries out all day-to-day trading operations.

OOO RBC-Pro is a joint venture relating to the creation of a travel section on the Company's website. The Company owns 51% of the joint venture. Mr. Komarov, who paid the Company for IT development of the online travel section and financed the creation of the joint venture, owns 49%. The joint venture is returning a modest profit and the Company believes it has further potential.

OOO Telli is a joint venture held equally by the Company and Mr. A. Podstreshniy, who is now an employee of the Company. The joint venture operates the www.krovatka.ru web resource, which is a Russian language chat room that provides advertising services aimed at the Company's wider mainstream audience. The venture is making a loss of $50,000 to $60,000 per annum and the Company intends to exercise its option to exit from this joint venture prior to May 2002.

OOO Merkot is a joint venture in which the Company holds a 60% interest with the remaining 40% held equally by two private individuals, Mr. Trey and Mr. Poley. Merkot owns one of Russia's two largest banner exchanges as well as the webforum (www.webforum.ru) Internet resource. Merkot operates on a break-even basis. The Company does, however, sell advertising on the site, which generates roughly $150,000 in annual profits for the Company.

OOO Niken is a joint venture in which the Company holds a 60% interest with the remaining 40% held by three private individuals: Mr. Alexei Semakin (15%), Mr. Andrei Semakin (15%) and Mr. Alexei Yakimenko (10%). Niken owns a popular e-mail server called 'Hotbox' (www.hotbox.ru). The joint venture is currently operating on a break-even basis. The joint venture generates revenues through advertising charges although RBC is also considering charging users a subscription fee. The Company considers Niken to be of strategic importance as forming a platform from which both corporate and individual e-mail services can be sold.

ZAO RBC Engineering is a wholly owned entity and is currently inactive. Negotiations are now underway with a western European company for creation of a joint venture for the sale and supply of telecommunications equipment. Should this joint venture proceed, the Company will contribute advertising services, public relations, personnel, and its client base to the joint venture. Remaining obligations, such as provision of equipment and working capital, will be provided by the joint venture partner. RBC Engineering will be the legal entity used for this joint venture.

SELECTED FINANCIAL DATA

The audited profit and loss statements for 2001 and 2000 are set forth as follows:

	Pro forma	Consolidated	Combined	
	12 months ended 31 December 2001 $ ‘000	3 months ended 31 December 2001 $ ‘000	9 months ended 30 September 2001 $ ‘000	12 months ended 31 December 2000 $ ‘000
Revenues	16,954	5,784	11,170	8,828
Cost of sales	(8,343)	(2,889)	(5,454)	(3,933)
Gross profit	**8,611**	**2,895**	**5,716**	**4,895**
Distribution costs	(1,074)	(228)	(846)	(100)
Administrative expenses	(493)	(240)	(253)	(1,175)
Taxes, other than on profit	(133)	(32)	(101)	(410)
Other operating expenses	(20)	(20)	-	-
Profit from operations	**6,891**	**2,375**	**4,516**	**3,210**
Other non-operating expenses	-	-	-	(363)
Gain/(loss) on net monetary position	(344)	(54)	(290)	12
Profit before tax	**6,547**	**2,321**	**4,226**	**2,859**
Income tax expense/(benefit)	(245)	(277)	32	(222)
Net profit	**6,302**	**2,044**	**4,258**	**2,637**

The balance sheets as of 31 December 2001 and as of 31 December 2000 are presented in the following tables:

	Consolidated	Combined	
	As of 31 December 2001 $ ‘000	As of 30 September 2001 $ ‘000	As of 31 December 2000 $ ‘000
ASSETS			
Non-current assets			
Property, plant and equipment	2,103	1,627	1,239
Intangible assets	1,887	1,140	199
Available for sale investments	7	8	1
	3,997	**2,775**	**1,439**
Current assets			
Inventories	303	440	252
Trade and other receivables	1,411	4,894	1,936
Other assets	1,991	1	425
Cash and cash equivalents	8,107	588	246
	11,812	**5,923**	**2,859**
Total assets	**15,809**	**8,698**	**4,298**
EQUITY AND LIABILITIES			
Equity			
Issued capital	3	27	27
Share Premium	6,600	-	-
Retained earnings	2,044	6,576	2,318
	8,647	**6,603**	**2,345**
Non-current liabilities			
Loans and borrowings	4,500	-	-
Deferred tax liability	367	122	162
Other payables	73	-	-
	4,940	**122**	**162**
Current liabilities			
Trade and other payables	2,222	1,973	1,791
Total equity and liabilities	**15,809**	**8,698**	**4,298**

The cash flow statements are summarized in the following table:

	Consolidated	Combined	
	As of 31 December 2001 $ '000	As of 30 September 2001 $ '000	As of 31 December 2000 $ '000
OPERATING ACTIVITIES			
Net profit	2,044	4,258	2,637
Adjustments for:			
Non-cash sales (net)	-	(395)	(1,187)
Depreciation and amortisation	319	897	252
Gain on disposal of property, plant and equipment	-	9	-
Income tax expense/(benefit)	277	(32)	222
Operating profit before changes in working capital and provisions	**2,640**	**4,737**	**1,924**
(Increase)/decrease in inventories	137	(188)	(225)
(Increase)/decrease in trade and other receivables	3,482	(2,958)	(1,425)
Increase in other assets	(1,990)	424	294
Increase/(decrease) in trade and other payables	389	174	161
Cash flows from operating activities before income taxes	**4,658**	**2,189**	**729**
Income tax paid	(98)	-	-
Cash flows from operating activities	**4,560**	**2,189**	**729**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(567)	(330)	(160)
Proceeds from disposal of property, plant and equipment and investments	9	53	-
Purchase of investments	-	(7)	-
Purchase of intangible assets	(983)	(1,563)	(336)
Cash flows from investing activities	**(1,541)**	**(1,847)**	**(496)**
FINANCING ACTIVITIES			
Increase in borrowings	4,500	-	-
Cash flows from financing activities	**4,500**	**-**	**-**
Net increase in cash and cash equivalents	**7,519**	**342**	**233**
Cash and cash equivalents at beginning of period	-	246	13
Cash acquired from Predecessor	588	-	-
Cash and cash equivalents at end of period	**8,107**	**588**	**246**

MANAGEMENT DISCUSSION AND ANALYSIS

Background

While ZAO RosBusinessConsulting commenced business in 1993 as a distributor of financial information to business people and financial institutions, the Company now consists of diversified holding structure which provides online financial news, advertising, and IT services.

Restructuring

The Company's existing holding structure was established in September 2001 as a result of the acquisition of 100 percent equity interests in each of the following companies: ZAO RosBusinessConsulting, ZAO Publishing House RosBusinessConsulting, ZAO RBC Soft, ZAO RBC Holding and OOO RBC Center. The purpose of these acquisitions was to consolidate the ownership of these entities and to offer the shares of the newly established holding company to the public.

Basis of presentation of financial results

The Company’s accounting records are kept in accordance with the legislative requirements of the Russian Federation. The audited consolidated financial statements as of and for the three month period ending on 31 December 2001 presented in this offering circular have been prepared by KPMG based on those accounting records and adjusted as necessary to comply with International Accounting Standards (“IAS”).

The Company has presented the audited combined financial statements of all subsidiaries as of and for the nine-month period ending 30 September 2001 and as of and for the twelve-month period ending on 31 December 2000. The audited combined accounts of the Company were compiled and audited by KPMG and the Company believes that these financial statements provide relevant and meaningful information regarding the past performance of the companies comprising OAO RBC Information Systems.

Pro forma statements as of and for the twelve-month period ending on 31 December 2001 are presented for information purposes only. They represent the sum of the audited consolidated financial statements of the Company for the three-month period ending on 31 December 2001 and the audited combined financial statements of its subsidiaries for the nine-month period ending on 30 September 2001.

Basis of consolidation

Intercompany balances and transactions, and any unrealized gains arising from intercompany transactions, were eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled companies were eliminated to the extent of the Company’s interest in such entities.

Exchange rates and inflation

The consolidated financial statements were expressed in terms of the measuring unit currency as at the balance sheet date. Accordingly, the financial statements, including comparatives, have been restated to account for changes in the general purchasing power of the ruble. The restatement is based on the consumer price index as at the balance sheet date. The consumer price indices, which were used for compilation of the financial statements, are given in the Auditor’s Report set out at the end of this offering circular.

Results of Operations

Revenue

The breakdown of revenue by business line can be analyzed as follows:

	31 December 2000 $ '000	*31 December 2001 $ '000*	*Change Y-O-Y %*
Advertising services	4,149	7,753	87
Software development	2,825	6,791	140
Information services	1,854	2,082	12
Construction contracts	-	328	n/a
Total	**8,828**	**16,954**	**92%**

The Company's revenue grew by 92% in 2001 and reached $16.9 million. This rapid growth is mainly attributed to software development, which grew by 140%, and advertising services, which grew by 87%. Revenues from the media business (advertising and information services) amounted to $10.2 million and accounted for 59% of total revenues in 2001.

Advertising services can be split between online Internet advertising on the RBC web sites, at $5.8 million in 2001, and other types of advertising at $1.9 million. The Company provides online advertising services to more than 1,000 clients, which include large international corporations, auditing firms, and large financial institutions in Russia. A well-defined and relatively affluent target audience allows the Company to charge premium prices for its advertising services.

Revenue from online advertising is mainly driven by visitation, which is measured in cost per thousand hits ("CPM"). The average charge rate is approximately $10 CPM (net of VAT) for the RBC main website. This price level has remained stable over the last two years. Visitation on those RBC sites that expose viewers to advertising increased by 80.6% in 2001, totaling 442.4 million hits.

Revenue from information sales consists of monthly subscription fees from customer service contracts, which are usually executed for one year and then prolonged. Subscription fees are payable in advance, but revenue is recognized on a monthly basis. The client base for information sales has been growing steadily, with 4,248 clients in 2000 and 5,171 clients in 2001, resulting in a year-on-year growth of 22%. On average, prices of financial news products remained flat in dollar terms, with only a 3% increase in 2001.

IT revenue increased by 140% from $2.8 million in 2000 to $6.8 million in 2001. IT revenue growth can be attributed largely to development of the system integration business segment, which generated approximately $1.6 million of revenue in 2001, and offshore programming contracts worth $1.5 million in 2001.

Revenue from IT services is recognized upon completion of contracts. Most IT service contracts are usually short-term by nature. The Company requires a prepayment before commencing any project and the remaining portion is payable upon completion.

Non-cash settlements decreased to 20% in 2001 from 35% in 2000. The Company renders advertising services and sells software products in exchange for other goods and services in transactions that can be categorized as follows:

- advertising and IT services in exchange for goods and services needed for operations;
- exchange of non-similar advertising services (i.e. advertising through Internet in exchange for advertising through newspapers and magazines);
- banner exchange with other Internet sites; and
- advertising and IT services in exchange for goods needed for resale.

Banner exchange and advertising services in exchange for goods needed for resale are not recognized as revenues and therefore such transactions do not affect the financial results. The other types of non-cash transactions were accounted for at market price.

The Company's revenues are generated from a wide client base and only one client, OAO *Webland*, accounted for more than 5% of the Company's total revenue in 2001 (*Webland* generated advertising revenue of $1.2 million, 7.1% of total revenue). One of the Company's managers holds a senior executive position at *Webland*.

Other significant customers in 2001 were OOO *MPP Kron Company*, which generated approximately $0.7 million of advertising revenue, and *Engineering Productions*, *Surgutgazprom* and *Disa International Ltd.*, each of which generated approximately $0.5 million of advertising revenue.

Cost of revenue

Cost of revenue for the last two years is set forth in the following table:

	31 December 2000 $ '000	*31 December 2001 $ '000*	*Percentage of total, %*
Outsourced labor costs	2,521	6,552	78.5
Depreciation and amortization	252	1,216	14.6
Other	1,160	574	6.9
Total	**3,933**	**8,342**	**100.0%**

Gross profit margin comprised approximately 51% in 2001, decreasing slightly from 55% in 2000. The Company maintains high profit margins in comparison with its domestic and international competitors. The slight decrease in gross margin in 2001 can be attributed to rapid expansion and the payroll growth to the tune of 160%, which exceeded 92% revenue growth in 2001.

Cost of revenue consists of outsourced labor costs, which account for approximately 78.5% of the total cost of sales. Outsourced labor costs included base payments of $4.9 million and bonuses of $1.6 million. Bonuses are tied to sales and the Company paid approximately 10% of revenue as bonuses in 2001.

One Russian outsourcing company provides all the outsourced labor, together with other services, to RBC under a series of agency agreements signed during 2000 and 2001. This company provides RBC with highly qualified IT professionals for system integration, general programming, research and development and project work. RBC paid this company $6.5 million (net of VAT) in 2001. Labor outsourcing allows RBC to mitigate payroll taxes, which would otherwise accrue at 35.6% of the relevant costs. RBC intends to terminate these agreements in 2002 and enter into direct contracts with such personnel.

RBC's fixed-assets, mainly consisting of computer equipment, were valued at $2.1 million and intangible assets were valued at $1.9 million in 2001. Assets were depreciated using the straight-line approach, with estimated useful lives ranging from 3 to 5 years for computer equipment and 3 years for intangible assets.

Other costs were approximately equal to 7% of the total cost of sales. These include rent, transport, marketing and some other expenses.

Selling, general and administrative expenses

The Company's selling, general and administrative expenses for the year 2001 were equal to only 2.9% of total sales. This included telecommunication costs, wages, salaries and related social costs, provision for bad debts and other expenses. Wages, salaries and related social costs represent expenses that cannot be directly allocated to the Company's operations and distinguishable from the outsourced labor costs described above.

Profit tax

The Company's profit center, ZAO Publishing House RosBusinessConsulting, was registered in the Altai region, and thus the effective profit tax rate for the entire holding structure in 2001 was 3.7%. See the "Risk Factors" section beginning on page 45 for a discussion of the risks associated with the Company's various initiatives towards reducing its tax burden. As of January 2002, the taxation laws in Altai have been changed and now all of the Company's earnings are subject to a 20% profit tax.

Deferred taxes of approximately $0.4 million are reflected in the Company's audited consolidated balance sheet dated 31 December 2001 due to temporary differences between the amount of assets and liabilities carried forward for financial reporting purposes and the amounts used for taxation purposes. Deferred liabilities mainly related to ZAO Publishing House RosBusinessConsulting, which is registered in the Altai region and is now taxed at a rate of 20%.

Net working capital

The Company's net working capital is set forth as follows:

	31 December 2000 $ '000	***31 December 2001 $ '000***	***Changes, Y-O-Y, $ '000***
Current Assets			
Inventories	252	302	50
Trade and other receivables	1,936	1,411	(525)
Other assets	425	1,991	1,566
Cash and cash equivalents	246	8,107	7,861
Total current assets	**2,859**	**11,811**	**8,952**
Current Liabilities			
Trade and other payables	1,791	2,222	431
Net Working Capital	**1,068**	**9,589**	**8,521**

Total current assets increased by $8.9 million to $11.8 million as of 31 December 2001. Current assets represent 69.7% of total revenue. This large balance of current assets consists mainly of cash and cash equivalents.

The Company also invested assets of approximately $2.0 million in a short-term ruble denominated bank deposit which was withdrawn in January 2002.

As a result, total funds of $10.1 million were accumulated in 2001 in order to expand the Company's operations, develop new product lines and to conduct potential acquisitions.

Non-current assets

The fixed assets balance as of 31 December 2001 is summarized in the following table:

	Computer equipment	***Office equipment***	***Other assets***	***Construction in progress***	***Total***
Book value	1,201	73	68	12	1,354
Accumulated depreciation	(109)	(2)	(4)		(115)
Annual depreciation	(306)	(28)	(23)		(357)
Additions, disposals, transfers	1,065	62	31	(7)	1,221
Net book value	**1,850**	**105**	**72**	**75**	**2,103**

Computer equipment comprises 88% of the Company's fixed assets.

Fixed assets are depreciated using a straight-line approach. Estimated amortization periods vary from 3 to 5 years for IAS and 10 years for Russian statutory reporting purposes.

The Company valued intangible assets at $1.9 million as of 31 December 2001, which consisted of capitalized research and development costs of $1.2 million and website capitalized expenses of $0.7 million. Estimated useful lives for the intangible assets are 3 years. Most intangible assets under IAS are treated as expenses for statutory reporting purposes.

Convertible notes

At the end of 2001, the Company entered into a $5 million structured loan arrangement with a Cypriot special purpose vehicle specifically set up for the placement of convertible notes. The vehicle lent proceeds from these Notes to the Company essentially on the same terms applicable to the Notes. These Notes bear interest at the rate of 5 percent per annum starting 17 December 2001. Interest is payable on 30 June and 31 December of each year with the first interest date falling on June 30 2002. The Notes are convertible into ordinary shares of the Company but only on specific dates falling after the 90th day following the date of the present offering and subject to other conditions.

The Notes are discussed further in the "Significant Transactions" section beginning on page 40.

Equity

Changes in the Company's equity are analyzed in the following table:

	31 December 2001 *$ '000*	*31 December 2000* *$ '000*
Issued capital	3	27
Share premium	6,600	
Retained earnings	2,044	2,318
Total equity	**8,647**	**2,345**

The Company's issued capital as of 31 December 2001 is divided among 84 million shares of par value RUR0.001 each and thus comprised RUR84,000 or approximately $3,000. Details of share ownership are set out in the "Description of Capital Stock and Russian Legislation" section beginning on page 63.

The need to compute share premium arose as of 31 December 2001 due to the acquisition of controlling equity interests in the following entities: ZAO RosBusinessConsulting, ZAO Publishing House RosBusinessConsulting, ZAO RBC Soft, ZAO RBC Holding and OOO RBC Center. Details of the share acquisition are set out in the "Significant Transactions" section beginning on page 40. The share premium represents the difference between the estimated value of the net assets of these subsidiaries and the nominal value of the shares issued by OAO Information Systems in exchange for control over net assets. A discussion of share premium is presented in the "Report of Auditors and Consolidated Financial Information" section beginning on page 79.

Cash Flow

A summary of the Company's cash flows from continuing operations is as follows:

	Combined		Pro-forma
	Year ended 31 December, 2000	Nine months ended 30 September 2001 2001	Year ended 31 December, 2001
Net profit	2,637	4,258	6,302
Non-cash charges	(713)	479	1,075
Changes in working capital	(1,195)	(2,548)	(628)
Cash flow from operating activities	729	2,189	6,749
Cash flow from investing activities	(496)	(1,847)	(3,388)
Cash flow from financing activities	-	-	4,500
Net increase in cash	233	342	7,861
Cash at beginning of period	13	246	246
Cash at end of period	246	588	8,107

The significant increase in cash during 2001 is mainly attributable to a substantial increase in the cash generated from operating activities at $6.8 million and $4.5 million of the net loan proceeds received in December 2001 as part of the structured loan arrangement involving the Notes. Net profit increased from $2.6 million in 2000 to $6.3 million in 2001, becoming a major source of funds for the Company.

Non-cash charges consist of non-cash sales, depreciation, gains on disposals of fixed assets and income tax expenses. Non-cash sales decreased from $1.2 million in 2000 to approximately $0.4 million in 2001. Depreciation and amortization increased by almost $1 million in 2001 due to significant purchases of fixed assets and capitalization of intangible assets. The total non-cash charges to be added back to cash flow from operating activities comprised approximately $1.1 million, an increase of $1.8 million over 2000.

In the last quarter of 2001, RBC was repaid $3.9 million in respect of advance payments previously made for outsourced labor. The Company placed approximately $2.0 million into a bank deposit bearing interest at a rate of 3% per annum (although the funds were withdrawn in January 2002). The net cash flow from changes in working capital for the three-month period ending on 31 December 2001 therefore comprised approximately $1.9 million.

The Company's capital expenditure increased by $2.9 million in 2001 and consisted mainly of purchases or capitalization of intangible assets, which accounted for approximately $2.5 million, 64% of which represents development costs.

The structured loan arrangement involving the Notes entered into by the Company in December 2001 represents the sole long-term borrowing of the Company since its inception.

MANAGEMENT

The Company has a board of directors and an executive board (the members of each are named below). The executive board has day-to-day management control of the Company's operations, and is comprised of five members, all of whom are Russian citizens. The board of directors determines matters of strategic importance and oversees the implementation of this strategy by the Company's management. The board of directors has also appointed a compensation committee that determines the compensation of top management. The board of directors meets at least four times a year. Five foreign nationals sit on the board, lending additional expertise to the Company.

The Company's management set-up reflects its two divisional structures, namely media and IT. Artyom Inyutin manages the media division and Alexei Kuzovkin manages the IT division. Each of these department heads reports to Yuri Rovensky, the Chairman of the Executive Board (General Director), who in turn reports to German Kaplun, Chief Executive Officer and Chairman of the Board of Directors of the Company. Alexander Morgulchik, Vice-Chairman for Business Strategy and Development, Dmitry Belik, Vice-Chairman and Chief Financial Officer, and Mr. Kaplun collectively oversee all operations of the Company.

RBC's key management personnel are also named below, followed by chart setting out the Company's organizational structure. Further details of management are provided in their respective curriculum vitae presented below.

Name	Position
Board of Directors	
German Kaplun	Co-founder and Chairman
Alexander Morgulchik	Co-founder and Vice-Chairman
Dmitry Belik	Co-founder and Vice-Chairman
Givi Topchishvili	Member of the Board
Sergei Lukin	Member of the Board
Oleg Diatlov	Member of the Board
Ekaterina Lebedeva	Member of the Board
Leonid Khazan	Member of the Board
Hans-Joerg Rudloff	Member of the Board
Neil Osborne	Member of the Board
Michael Hammond	Member of the Board
Yuri Mostovoi	Member of the Board
Executive Board	
Yuri Rovensky	Chairman and General Director
German Kaplun	CEO
Dmitry Belik	CFO
Artyom Inyutin	Director, Media Division
Alexei Kuzovkin	Director, IT Division
Other management	
Ekaterina Lebedeva	Chief Administrative Officer
Leonid Khazan	Director, Marketing and Communications
Maxim Filamofitsky	Chief Technology Officer
Yevgeny Revzin	Editor-in-Chief

Management Curriculum Vitae

Members of the Board of Directors

German Kaplun – Chairman of the Board of Directors and Chief Executive Officer. Mr. Kaplun has a background in software consulting and has previously held the position of Director of Banking Technology in a Moscow software development company. He also holds participation interests in a small banking venture, a computer hardware/software business and a real estate business. Education: Ph.D. in Economics from the Russian Economic Academy.

Alexander Morgulchik – Vice-Chairman for Business Strategy and Development. Mr. Morgulchik has had previous work experience in accounting and banking, and has participated in a number of commercial ventures. These include a small bank, a computer hardware/software business and a real estate venture. Education: Ph.D. in Economics from the Russian Economic Academy.

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.

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 US. He is also the Chief Executive Officer at *Global Advertising Strategies*, a New York based marketing and advertising company which targets niche ethnic markets. Education: Masters degree in Physics and Chemistry from Moscow Chemical University.

Sergey Lukin - Since 1991, Mr. Lukin has held management positions at Russian system integration firms in the oil and gas sector and in the banking sector. He began his career at Aeroflot in 1987. Education: higher business education.

Oleg Diatlov - Mr. Diatlov 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 business education.

Leonid Khazan – Director Marketing and Communications. Prior to joining the Company in 1998, Mr. Khazan held a management position at a Moscow bank where he was responsible for information processing. Education: Undergraduate degree in Managerial Economics from Moscow External Humanitarian University.

Ekaterina 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.

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.

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

Neil Osborn - Mr. Osborn is the Managing Director of Euromoney Publications, where he has worked since 1983. Prior to this he was editor of Institutional Investor magazine in New York.

Yuri Mostovoi – Board Member. Mr. Mostovoi joined Barclay's Capital in January 2002 as a Senior Department Head. Previously he was president of his own firm, Interval LLC, and held Vice President positions at Citibank and Lehman Brothers in New York.

Members of the Executive Board

Yuri 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. Other relevant work experience includes positions at the Russian Union of Businessmen and Entrepreneurs and the World Bank's mission in Moscow. He also has an academic background, having held the position of Vice Chancellor of the Russian Economic Academy for 7 years. Education: Doctorate level degree in Economics from Moscow State University, with additional coursework in Marketing and Financial Analysis at the Harvard Business School and at Groningen University (Netherlands).

Artyom Inyutin – Media Business Director. Mr. Inyutin has been in charge of the Media business since 1997. He held the position of Chief Administrative Officer of RosBusinessConsulting from 1994 to 1997. Prior to joining the Company, Mr. Inyutin was a development team leader at a Russian scientific institute where he was responsible for managing database software development. He has also worked at an advertising agency as an account manager. Education: Moscow Technical University, Russian Finance Academy.

Alexei Kuzovkin – IT Business Director. Mr. Kuzovkin started his career with the Company in 1993 as a software engineer and advanced to Chief Technology Officer. He was appointed to his current position of IT Business Director in 1999. Education: Moscow Energy University.

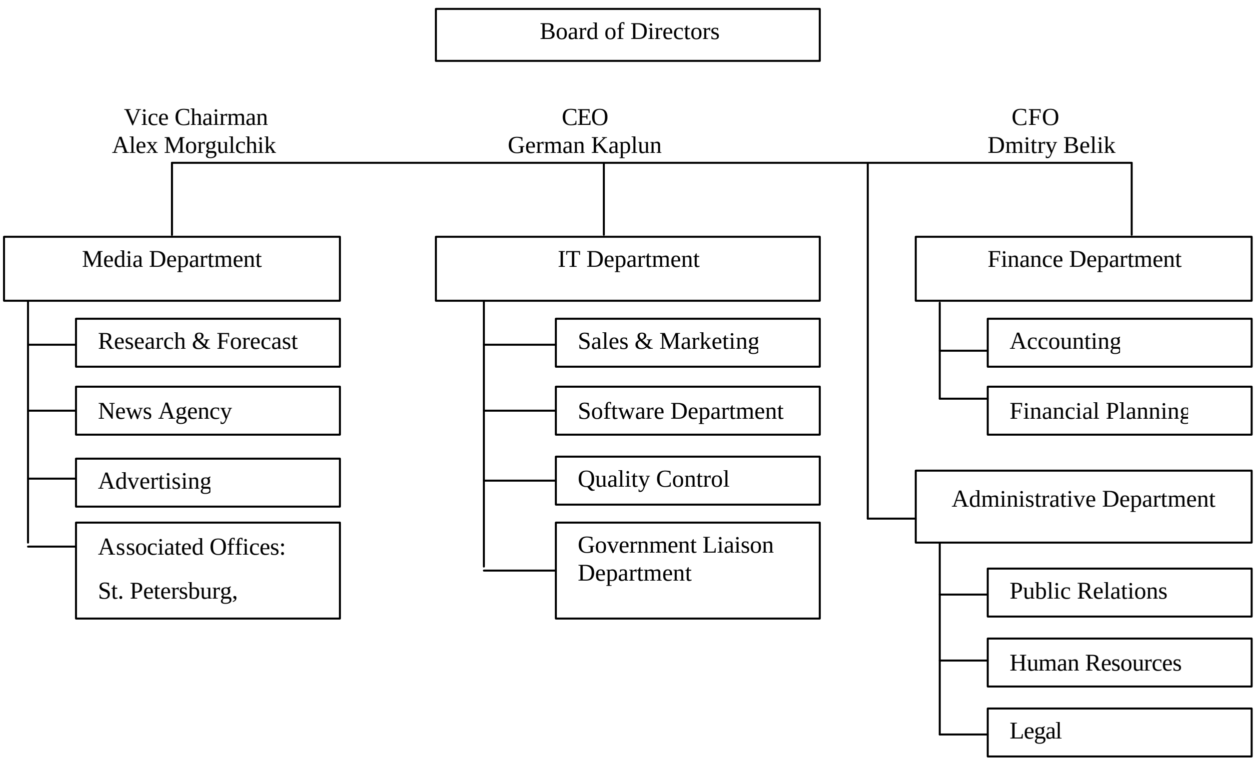
Other management

Maxim Filamofitsky – Chief Technical Officer. Mr. Filamofitsky was in charge of the RBC database department from 1998 to 1999. He began his career at the Scientific Research Computing Center of Moscow State University, where he specialized in high performance computing and cluster solutions. In 1997, Mr. Filamofitsky joined Advanced Chemistry Development Inc., Canada, as a Chief Specialist. Education: Honors degree in Computer Science from Moscow State University.

Yevgeny Revzin –Editor-in-Chief. Mr. Revzin joined RBC as Deputy Editor-in-Chief in 2000. He began his career at the *Darin* magazine, where he worked as Deputy Editor-in-Chief in 1995. In 1998, Mr. Revzin joined the information department of *Vesti* as a news commentator at RTR television. Education: Honors degree from Moscow State University.

Organizational Structure

The Company's organizational structure is as follows.



The Media department is the largest department with almost 190 full-time employees, including 114 reporters, proofreaders, commentators and editors, who mainly work on financial news and business information topics. In addition to the full-time news staff, the Company employs the services of about 60 stringers, or free-lance journalists, many of whom submit news items from various regions in Russia. About a third of the news staff works on general news topics, i.e., non-financial or business news. The Company is the third largest Russian provider of general media in terms of number of persons employed.

The advertising staff and information sales staff are also part of the media department.

The Company also has a formidable IT business, with a staff consisting of over 170 employees. The overwhelming majority of the IT staff consists of programmers and technical staff including software developers, R&D personnel, Internet technology specialists and various technical and support personnel. In addition to IT products and services, the IT staff also develops and maintains the Company's Internet resources, which are the primary operating medium for the media department.

The administrative department, including executive management, accounting and finance, public relations, human resources and legal staff, represents about 13% of the Company's workforce.

EMPLOYEES

RBC retains 482 employees on its payroll, and the Company's monthly regular labor costs amounts to approximately $0.3 million. The typical employee compensation package includes incentive bonuses which may reach up to 10% of sales.

Current staffing and payroll information by department is shown in the following table:

Staffing	**Headcount**
Media Staff	
Journalists	114
Stringers	60
Advertising Staff	
Management	2
Sales department	31
Information Sales Staff	
Management	3
Sales department	9
Analysts	10
Others	20
IT Staff	
Management	7
Programmers	141
Sales department	12
Others	13
Administrative Staff	
Executive management	11
Finance department	3
Accounting Staff	14
Others	23
Support Personnel	9
Total	***482***

Since the Company is to a very large extent a service company, with the exceptions of certain "off-the-shelf" media research products and IT turnkey solutions, its single largest operating expense item is the payroll.

As is common in IT and software companies, technical staff, including programmers, work in teams on a variety of projects. These teams are a pooled resource, which can be allocated and re-allocated to certain projects as necessary. Costs are tracked on a project man-hour basis.

CAPITALIZATION

The following table sets forth the Company's consolidated capitalization at December 31, 2001. The figures are presented on a historical basis and as adjusted to give effect to the issue and sale of 16,000,000 ordinary shares in the offering at an offering price of $ • per share and the application of the net proceeds of the offering as described under "Use of Proceeds". See "Management Discussion and Analysis" and the Company's consolidated and combined financial statements located elsewhere in this offering circular. Shareholders' equity as adjusted for this offering is calculated based upon $ • per share.

	As of 31.12.2000 $ '000	***As of 31.12.2001 $ '000***	***As of 30.09.2001 $ 000***	***As Adjusted***
LT debt	-	4,500	-	4,500
Shareholders' equity:				
Ordinary shares, 0.001 ruble par value, 84,000,000 shares issued and 100,000,000 shares issued as adjusted	27	3	27	3.2
Share premium account		6,600		•
Retained earnings	2,318	2,044	6,576	2,044
Total shareholders' equity	**2,245**	**8,647**	**6,603**	•
Total capitalization	**4,298**	**15,809**	**8,698**	•

DILUTION

RBC's pro forma net book value as of 31 December 2001 was $8.647 million, or approximately $0.1 per share. Pro forma net book value per share represents the amount of total assets less total liabilities, divided by the number of outstanding ordinary shares. After giving effect to the sale of the 16,000,000 ordinary shares offered by RBC at an offering price of $•, net of offering expenses, the pro forma net book value of RBC as of 31 December 2001 would have been $•, or $• per share. This represents an immediate increase in pro forma net book value of $• per share to existing stockholders and an immediate "dilution" of $• per share to investors purchasing ordinary shares in the offering. "Dilution" to investors purchasing ordinary shares in the offering represents the difference between the price per share of the ordinary shares to be paid by new shareholders in the offering and the pro forma book value per share as of 31 December 2001. The following table illustrates this per share dilution:

Initial public offering price		
Pro forma net book value deficit per share as of 31 December 2001	$•	
Increase per share attributable to new investors	$•	$•
Pro forma net book value per share after this offering		$•
Dilution per share to new investors		$•

The following table summarizes the difference between the number of ordinary shares purchased from RBC, the total consideration paid to RBC, and the average price per share paid by existing stockholders and by new investors:

	Shares Purchased		***Total consideration***		***Average price per share***
	Number	***Percent***	***Amount***	***Percent***	
Existing stockholder……………..					
New investors……………………					
Total		100.0%		100.0%	

LOCK-UP ARRANGEMENT AND SHARE OPTION PROGRAMS

Lock-Up Arrangement

After the placement of shares in this offering, the existing shareholders may sell up to 2 million of their shares after consultation with Aton Capital Group. Under the lock-up arrangements, the existing shareholders will undertake not to sell, directly or indirectly, any shares, other than the above mentioned 2 million shares, without the prior written consent of Aton Capital Group for a period of six months from the date of registration of the Russian statutory prospectus. In the following period of six months, each shareholder may sell up to 10% of its shares (not including any shares already sold as part of the above mentioned 2 million shares) after prior consultation with Aton Capital Group.

Share Option Programs

In the foreseeable future, the Company intends to implement the share option programs discussed below. However, the exact details of such programs, including the origin of the underlying shares, are yet to be finalized.

The Company intends to grant options to purchase the following number of shares to the following members of its executive board:

Yuri Rovensky	420,000	Chairman of the Executive Board
Artyom Inyutin	420,000	Director, Media Division
Alexei Kuzovkin	420,000	Director, IT Division

These options may only be exercised after December 1, 2002.

In addition, the Company's management intends to use 3,740,000 of the Company's ordinary shares during the next three years towards the establishment of share option programs to incentivize eligible employees. Participation in such programs will be open to the Company's full-time employees and such other persons as the board of directors shall determine in its absolute discretion.

The Company also intends to establish a separate share option program for members of its board of directors. Board members shall accordingly have the option to purchase approximately 3% of the Company's outstanding ordinary shares at a price equal to 130% of the offering price of the shares being offered hereby. It is expected that these options will have a maturity period lasting four years, although it will not be permitted to exercise the options in the first year of this period.

USE OF PROCEEDS

The Company will receive approximately $• million from the sale of 16 million ordinary shares, net of estimated expenses and commissions payable.

The principal purposes of this offering are to increase equity capital, to create a public market for the Company's ordinary shares, to facilitate future access to the public equity markets and to provide increased visibility of RBC in a marketplace where many of its competitors are not yet publicly-held companies.

Investment capital raised from the offering will fund implementation of strategic development plans. These plans include:

- *Acquisitions of information agencies.* Instead of recreating or copying existing media products in-house, the Company believes that it will be more efficient to buy out 'niche' business information companies that complement the Company's media assets, in order to consolidate them into a single information flow. This should increase the client base, reduce competition, and reduce costs while increasing the quality and quantity of information services. It should also allow the Company to occupy several market segments and price categories without damaging the RBC brand;
- *Acquisitions of advertising agencies.* In order to further expand distribution channels for the media business, the Company is now identifying advertising agencies which could be promising targets for acquisition;
- *Acquisitions of IT businesses.* The management may decide to acquire IT businesses in order to expand its client base and to obtain rights to new IT products, solutions or technologies which would complement its existing range of goods and services.
- *Organic Growth.* The Company will continue to expand its media business to include a wider range of value-added products and services, such as in-depth research and analytical reports, searchable news archives, and special order products tailored made for the client. IT growth will be driven by continued sales of integrated software solutions and system integration in the Russian market. This will be augmented by offshore programming contracts for foreign clients.
- *Hiring key people*. In some cases, where the success of certain information or advertising agencies or projects hinges on the active participation of a small group of dynamic individuals, the Company may be less inclined to acquire an entire business than to simply offer attractive compensation packages to key people involved;
- *Expanding into new mediums, particularly television.* Management is now developing a business plan for launching a new business and finance news TV channel in Russia;
- *Development of focus groups for advertising marketing*. The Company plans to further develop the use of focus groups in market research in order to determine the opinion of the Company's target audience on certain goods/services and to assist with formulation of an effective marketing strategy. This will include an audience study on specific market segments, usability site testing, site optimization and banner testing, all of which measure the effectiveness of advertising.

DIVIDEND POLICY

The Company plans to retain its earnings for the foreseeable future in order to finance growth and expansion. Hence the Company does not presently intend to pay dividends and it is not likely that dividends will be paid in the near future.

SIGNIFICANT TRANSACTIONS

During the last two years, the Company has entered into a sizeable number of contracts in the ordinary course of business. Significant contracts, which the Company believes to have entered into other than in ordinary course during this period, are set out below:

Convertible loan notes

Summary

A Cypriot special purpose vehicle, RBC Investments (Cyprus) Limited ("RBCC"), issued $5,000,000 of guaranteed participating convertible loan notes due 2004 on 17 December 2001. The Notes bear interest, contain an option to be converted into ordinary shares of the Company and were placed privately with investors in December 2001. As support for the redemption obligations under the Notes, the Company and certain of its subsidiaries – ZAO RosBusinessConsulting, ZAO RBC Soft and OOO RBC Center –executed a guarantee by deed poll dated 17 December 2001. As support for the conversion options under the Notes, the Company executed a conversion right agreement by deed poll dated 17 December 2001. RBCC and the Company entered into a loan agreement dated 17 December 2001 under which RBCC agreed to lend the proceeds of the issue of the Notes to the Company. To facilitate the issue, transfer, payments, conversions and other administrative matters relating to the Notes, RBCC, the aforementioned guarantors and Hellenic Bank Limited entered into a Fiscal Agency Agreement dated 17 December 2001.

Loan Agreement

Under the loan agreement, which is governed by English law, RBCC agreed to lend the proceeds of the Notes to the Company. Interest accrues on the loan at 5.25% p.a. Subject to the exercise of the conversion option, the final repayment date for the loan is 17 December 2004. The loan agreement provides, in specified circumstances where the Notes are to be redeemed early, that the Company must repay the equivalent amount of the loan together with an additional cash payment equal to the amount necessary to ensure a return on the Notes of 12.25% (calculated from the date of issue until the date of redemption) although allowance is made for interest that has been paid during such time. If the conversion option is exercised such that some or all of the Notes are converted into shares, the loan is discharged to the extent of such conversion and no additional cash payment needs to be made on such Notes.

Guarantee

Under the guarantee, which is governed by English law, each of the Guarantors guaranteed the payment by RBCC of all payment obligations to the noteholders. In addition, each guarantor undertook to pay (or procure payment) upon written demand being made by a noteholder if RBCC does not comply with its payment obligations to the noteholders. Each of the guarantors also gave other undertakings, including that it would not, for so long as any amount payable in respect of a Note remains outstanding, create any mortgage, charge, pledge or other form of security interest over all or any part of its assets or revenues to secure any debt owed by the Company or any of its subsidiaries, and to procure that its subsidiaries comply with the undertaking in relation to their assets and revenues.

Conversion Deed

Under the conversion deed, which is governed by English law, the Company guarantees to the noteholders the performance by RBCC of all obligations of RBCC with respect to the exercise of the conversion option. The Company has also undertaken to perform and comply with all obligations expressed to be undertaken by it in the conditions governing the Notes. Pursuant to these conditions the earliest date the conversion rights can be exercised is 30 September 2002. After such date, the conversion rights can be exercised on the last business day of any calendar quarter up to the final maturity date of the Notes, which is 17 December 2004. The Company may agree in its sole discretion to permit conversion prior to 30 September 2002. The Company intends to permit early conversion only after consultations with Aton Capital Group as the underwriter of the offering. The terms and conditions of the Notes provide that the price at which shares will be issued upon the exercise of the conversion right shall be a price representing a 10% discount of the offer price for shares in this offering. The conversion price is subject to adjustment should certain events occur (for example, a bonus issue of shares, a consolidation or reclassification of shares). The number of Shares to be issued to the noteholder exercising the conversion right is determined by dividing the principal amount of the Notes being converted by the relevant conversion price in effect on the conversion date. The shares are denominated in rubles. The Notes are denominated in dollars. The terms and condition of the Notes do not include any provisions on which exchange rates are to be used, when sums denominated in one currency are to be converted into another currency or whether such conversions are fixed on a particular date. The Company believes that, although not expressed in the terms and conditions of the Notes, the offer price is to be converted into dollars at the market rate on the day of the offering, rather than on any later date.

The Company and the existing shareholders intend to put in place arrangements whereby the shares to which noteholders are entitled following a conversion may be satisfied by the transfer of shares currently held by the existing shareholders of the Company. The shares currently held by the existing shareholders are fully paid and rank pari passu with all other shares and consequently will also rank pari passu with the new shares issued in the course of the offering. The arrangements to be put in place involve the existing shareholders transferring possession of an appropriate number of their shares to RBCC. RBCC will be obliged to pay for these shares only if and to the extent a noteholder exercises the conversion rights, failing which such shares shall be returned to the existing shareholders. It is the Company's intention that these shares shall satisfy the conversion rights of the Notes, although, should a noteholder insist, the Company would be under an obligation to issue and allot new shares to such noteholder. If the conversion rights are satisfied by the transfer of shares by RBCC, the Company intends to repay a portion of the loan to RBCC (together with accrued interest thereon, but without any additional cash amount) who in turn will use such amounts to pay the existing shareholders the purchase price for the shares delivered by them. In both cases, the amount will be equal to the conversion price of the Notes being converted into shares. The net effect of such arrangements is that the Company purchases shares from the existing shareholders at the conversion price in order to be able to deliver shares to the noteholders to satisfy the conversion rights without having to effect a capital increase. The Company understands that the existing shareholders intend to make any proceeds they receive from these arrangements available to the Company in the form of a loan.

Purchase of the shares in ZAO RosBusinessConsulting, OOO RBC-Center and ZAO Publishing House RosBusinessConsulting

In September 2001, the shareholdings of the Company's subsidiaries were restructured. A new parent company (OAO RBC Information Systems) acquired, on the basis of various share purchase agreements, the shares in ZAO RosBusinessConsulting, OOO RBC-Center, ZAO Publishing House RosBusinessConsulting and in other subsidiaries. The purpose of these transactions was to consolidate the ownership of these entities into one vehicle in preparation for an initial public offering. The shares were acquired for cash consideration at nominal value. However, the reorganization is treated in the IAS Consolidated Financial Statements for the year ended 31 December 2001 as a simultaneous exchange of the shares in the Company for the shares in the subsidiaries. The net asset value of the subsidiaries was treated as a premium paid by the new shareholders to the Company when acquiring its shares.

Outsourced labor arrangements

In 2001, the Company paid $6.5 million (net of VAT) to a Russian outsourcing company for outsourced labor and other services. Details of these arrangements are set out in the "Management Discussion & Analysis" section beginning on page 24.

PREMISES AND REAL ESTATE

Property rights

The Company does not own any real property.

Location of the Company

Î ÀÎ RBC Information Systems maintains a legal address at Leninskiy pr. 75/9, Moscow, 117261, Russia under a six-month agreement with the production enterprise "Orgtekhnika". This agreement does not give the Company any rights to property at this address, only the right to use specified work and storage space.

Lease agreements

On 17 July 2000, RBC Center signed a lease agreement for a fixed term expiring on 31 December 2005 with the Russian Research Institute for Automation in respect of the 4th floor (686.6 square meters) of Profsoyuznaya Street 78, Moscow, 117420. On 9 January 2002, ZAO RosBusinessConsulting signed a lease agreement for a fixed term expiring on 31 December 2006 with the same organization in respect of the 1st, 2nd and 5th floors (1,406.5 square meters) of the same building.

Both agreements provide that the lessor, as a state body, has the power to revise the rent if the central rates of rent are revised or if there is a change of business by the lessee. Both leases also provide that they will enter into force when registered with the state authorities, although such registrations have not yet been completed.

INTELLECTUAL PROPERTY

The Company has a registered trademark No.206849 “ÈÍ ÔÎ ÐÌ ÅÐ” under the name ZAO RosBusinessConsulting. The registration is for goods of classes 16, 35, 36, 41 and 42. Its priority begins on 29 October 1999 and expires on 29 October 2009. The registration is confirmed by a Certificate of the Russian Agency for Patents and Trademarks (Rospatent).

The Company has also applied for the registration of the trademark “ÐÁÊ” under the name ZAO RosBusinessConsulting for goods of classes 16, 35, 36, 41 and 42. The application is currently awaiting approval from Rospatent.

The Company has no registered patents.

LITIGATION

The Company is not subject to any litigation at present that, if adversely decided, would have a material adverse effect on the business or financial situation of the Company. In addition, the Company is not aware of any material litigation that is pending or threatened against it.

The Company has, however, been party to certain litigation in Russian state courts in the past. Three claims were made against the Company in recent years in respect of alleged defamation. The Company successfully defended two of these claims. In relation to the third claim, the court found in favor of the applicant and ordered the Company to publish a corrective statement.

Under Russian law, the remedies for defamation are publication of corrective statements, payment of damages and compensation of moral harm. The Company is aware of one recent case in Russia where the amount of damages and compensation for moral harm awarded against a Russian newspaper was significant. Similarly, the global nature (and, therefore, global publication) through the Portals of the Company can give rise to defamation claims in other countries. The remedies available in such countries may extend beyond the remedies available under Russian law.

RISK FACTORS

Potential investors should carefully consider the risks described below before making an investment in the Company's ordinary shares.

The business of the Company fluctuates and may be negatively influenced by many external and internal factors.

Both quarterly and annual operating results of the Company may fluctuate significantly in the future due to a variety of factors, which are generally beyond the management's control, such as:

- the development of the political situation in Russia;
- changes in the macroeconomic conditions under which the Company operates;
- changes in the conditions applicable to advertising, information technology and the Internet;
- seasonal trends relating to subscriber usage of services;
- the demand for advertising and seasonal trends relating to advertising spending;
- the Company's ability to protect its systems from any telecommunications failures, power loss or software-related system failures; and
- the extent to which the Company experiences increased competition in the markets for information technology, advertising and Internet services.

Other factors that may cause the Company's operating results to fluctuate significantly, which are at least partially under the Company's control, include:

- the rate of new subscriber acquisitions;
- the timing and effectiveness of the Company's marketing efforts to acquire subscribers and promote the Company's brand;
- expenses related to upgrading the Company's computer systems and related infrastructure; and
- the timing and effectiveness of the Company's investment into the development of new software products.

The Company may be unable to reduce its expenses quickly enough to offset any unexpected revenue shortfall and this could have a material adverse effect on its business, operating results and financial condition. It is therefore likely that in some future periods the Company's quarterly operating results may fall below the expectations of market analysts and investors. In this event, the price of the Company's shares is likely to fall.

Failure to increase the number of subscribers significantly or to retain present subscribers would adversely affect the Company's business.

The Company's future success is highly dependent on attracting clients who are willing to subscribe to online business information services. The Company is forced to spend up to 15% of its revenues in each year on direct marketing, advertising and public relations campaigns. As the market matures, the Company believes that the incremental cost of acquiring subscribers will increase. If the market for subscription-based online business information develops more slowly than the Company expects, or if the Company's efforts to attract new subscribers are not successful or cost effective, the Company's operating results and financial condition may be adversely affected. The Company also believes that the Company's long-term success depends largely on the Company's ability to retain its existing subscribers. Any loss of significant numbers of subscribers would have a material adverse effect on the Company's business, operating results and financial condition.

The Company invests heavily in the development of new software products that are untested and therefore may fail to develop into marketable products or may fail to obtain market acceptance.

The Company is presently working on 14 software development projects, five of which still require substantial investment by the Company. If any or all of the products involved fail to develop into marketable products or are not accepted by customers, the Company's business, operating results and financial condition will be adversely affected.

The Company's television project is associated with new risk.

As part of its growth strategy, the Company is considering establishing a television business news channel. If the Company decides to undertake this project, it will have to devote a substantial part of the proceeds of the offering to it. The Company has no substantial experience in providing radio or televised news services. There is a risk that the Company may be unable to market such services successfully, may fail to generate the proceeds necessary to recoup all or part of the initial investment, may have to commit additional funds to the project in excess of those earmarked for the project or fail to obtain the public licenses required for the operations. Considering the size of the Company, establishing television operations would be a major undertaking that may have a negative impact on the financial and management resources available to its other activities. The market for television broadcasting, unlike the Internet news service market in which the Company so far has operated, is divided among competitors with abundant funding and powerful public shareholders. These competitors may have access to political support and financial resources which may not be available to the Company. Two independent television channels were closed down in the Russian Federation during the last 12 months, apparently due to financial problems and disputes with shareholders and creditors. This suggests that the potential difficulties of operating in the television market may be greater than in the established markets of the Company.

The Company's advertising revenues depend on attracting an audience with favorable demographic characteristics for its business and information services.

The Company is only able to maintain or enhance its level of advertising revenues if it is able to show to its advertising clients that the demographic characteristics of its business and information service customers are favorable. If the Company is unable to further develop business information and services that attract an audience desirable to advertisers, it could have a material adverse effect on the Company's business, operating results and financial condition.

Failure to provide a successful online advertising environment would adversely affect the Company's business.

If advertisers perceive the Internet in general or the Company's Web sites in particular to be a limited or ineffective advertising medium, they may be reluctant to advertise online or on the Company's Web site. The Company competes with other Web sites, television, radio and print media for a share of advertisers' budgets. Unlike traditional advertising media, no standards have been widely accepted to measure the effectiveness of advertising on the Internet. If widely accepted standards do not emerge, existing advertisers may discontinue or decrease their Internet advertising. If such standards emerge and the Company is unable to offer advertisers effective advertising options accordingly, advertisers may not continue advertising on the Company's Web site. The Company's business, operating results and financial condition would be materially and adversely affected if the market for Internet advertising declines or develops at a slower rate than expected. Different pricing models are used to sell advertising on the Internet. Prevalent pricing models used by the Company include pricing on a per-view or per "hit" basis, as well as hourly rates. It is difficult to predict which advertising pricing models, if any, will emerge as industry standards. This uncertainty makes it difficult to project the Company's future advertising rates and revenues. The Company cannot assure investors that it will be successful under the alternative pricing models that may emerge. Moreover, software programs that limit or prevent advertising from being delivered to an Internet user's computer are available. Widespread adoption of this software could materially and adversely affect the commercial viability of Internet advertising, which could materially and adversely affect the Company's advertising revenues.

A part of the Company's advertising business relies on barter transactions and may be lost if the Company refuses to accept goods and services from its customers.

In the past, the Company has accepted from certain of its clients and their subsidiaries goods and services in exchange for rendering its services to such clients. For example, in 2000 barter transactions accounted for about 35% of sales. In 2001, the share of barter transactions in total sales amounted to about 20%. In addition, the Company often buys products from clients to whom it also sells its services. At present, the Company has entered into agreements with 5 of its 20 major clients under which it buys goods produced by these clients. There can be no assurance that if the Company no longer needs goods and services offered by its advertising customers, they would continue to advertise to the same extent or advertise at all on the Company's Web sites. If the Company loses some or all of its barter clients, this would materially and adversely affect the Company's advertising revenues.

The Company's advertising business is to a considerable extent subject to seasonal fluctuations and the agreements for advertising services are usually only short term agreements.

The demand for the Company's advertising services fluctuates from month to month. Therefore the income from this activity is not evenly distributed over the financial year. In addition, the agreements the Company concludes with its advertising customers are usually short-term agreements, so there can be no assurance that these customers will continue to advertise on the Web sites of the Company to the same extent as in the past. The fluctuation in income from advertising activities could lead to liquidity shortages and may have a negative effect on the financial position of the Company. Similarly, if the Company were to lose a considerable part of the clients with whom it has short-term contracts and were unable to replace these with customers willing to accept similar conditions, this would have an adverse negative effect on the financial position of the Company.

Increased competition could materially and adversely affect the Company's business.

Many Web sites compete for the attention and spending of businesspeople and advertisers, particularly in the business information area. The Company expects this competition to continue to increase. The Company competes for subscribers, visitors, advertisers, and content providers with foreign and Russian media companies like *Reuters*, *Interfax*, *AK&M*, *Prime-TASS*, *Gazeta.ru*, *Lenta.ru* and other companies. Some of the Company's existing competitors, as well as a number of potential new competitors, have longer operating histories, greater name recognition and other hidden and explicit advantages over the Company. This may allow competitors to devote greater resources to development and promotion than the Company. These competitors may also undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies, and rapidly reduce their advertising prices. Some of the competitors may make more attractive offers to existing and potential new employees, advertisers, clients and other organizations with which the Company has or plans to have strategic relationships. The Company's competitors may develop content that is equal or superior to the Company's content or that achieves greater market acceptance. It is also possible that new competitors may emerge and rapidly acquire significant market share. The Company may not be able to compete successfully for advertisers, visitors or staff. It cannot be excluded that some competitors may use illicit methods, such as financing and organizing lawsuits against the Company that make false or compromising allegations about the Company and its employees. Any such action as well as increased competition could result in a loss of customers, price reductions, reduced margins or loss of market share, any of which could materially and adversely affect the Company's business, operating results and financial condition.

The Company's future success depends on its editorial staff and on the quality of its programmers and software developers.

In its media division, the Company depends upon the efforts of the Company's editorial staff to produce original, timely, comprehensive and trustworthy content. As of 31 December 2001, the Company's editorial staff consisted of over 150 writers, editors, researchers and online producers. It in its IT division, the Company is dependant on it programmers and developers. As of 31 December 2001, the Company employed more than 480 persons in the IT Division. Competition for such personnel is intense and the Company may not be able to retain existing or attract additional highly qualified staff in the future. If the Company loses the services of a significant number of its staff or is unable to continue attracting additional qualified staff, the Company's business, operating results and financial condition could be materially and adversely affected.

Failure to find major new clients for programming, IT-solutions and systems integration business could have a material adverse effect on the Company's business and financial position.

In the past, the Company has been able to attract clients under favorable conditions who placed major orders for programming services, complex IT-solutions and systems integration with the Company. If the Company is unable to attract further orders of this size in these business areas, this could materially and adversely affect the financial position of the Company.

Rapid growth could strain the Company's managerial, operational and financial resources.

The Company has experienced rapid growth in its operations. Since the beginning of 1999 until the present, the number of full-time employees has tripled. The Company expects that the number of its employees will continue to increase in the foreseeable future. This rapid growth has placed, and any additional growth will continue to place, a significant strain on the Company's managerial, operational and financial resources. As a result, the Company will need to continue improving its operational and financial systems and managerial controls and procedures. The Company will also have to maintain close coordination among the Company's technical, accounting, finance, marketing, sales and editorial personnel. If the Company is unable to accomplish any of these objectives, the Company's business, operating results and financial condition could be materially and adversely affected.

The Company may experience capacity constraints or systems failures that could damage its business.

If the Company's systems cannot be expanded to cope with increased demand or fail to perform effectively, the Company could experience disruptions in service, slower response times, reduced customer satisfaction or delays in the introduction of new products and services. This could impair the Company's reputation, damage the Company's brand, negatively reflect on its IT product offerings and materially and adversely affect the Company's business, operating results and financial condition. The Company's ability to provide high quality customer service also depends on the efficient and uninterrupted operation of the Company's computer and communications hardware systems. The Company has experienced minor interruptions due to illegal attacks on its Web sites from third parties. The Company's systems and operations are also vulnerable to damage or interruption from human error, natural disasters, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. The Company believes that it may not carry sufficient business interruption insurance to compensate for losses that could occur.

The loss of any of the Company's key personnel or its failure to attract additional personnel could have a material adverse affect effect on the Company's business.

The Company's future success will largely depend on the continued service of its senior management, particularly the members of its board of directors German Kaplun, Alexander Morgulchik, Dmitry Belik (also general director of ZAO Publishing House RosBusinessConsulting), Yuri Rovensky (also general director of OOO RBC-Center) and Artyom Inyutin (also general director of ZAO RosBusinessConsulting). According to the employment agreements between these individuals and the Company, they could resign from the Company by giving two weeks' notice. The Company is not insured against damage that may be incurred in case of loss or dismissal of its key-specialists or managers. The loss of the services of one or more of the Company's key personnel could have a material adverse effect on the Company's business, operating results and financial condition. The Company's future success will also depend on its continued ability to attract, retain and motivate highly qualified technical, customer support, financial and accounting and managerial personnel. Competition for such personnel is intense and the Company cannot assure investors that it will be able to retain key personnel or attract other highly qualified personnel in the future.

Acquisitions and the establishment of new business lines may disrupt or otherwise have a negative impact on the Company's business.

The Company plans to acquire or make investments in complementary businesses, products and technologies. Future acquisitions and investments are subject to the following risks:

- acquisitions may cause a disruption in the Company's ongoing business, distract the Company's management and make it difficult to maintain the Company's standards, controls and procedures;
- the Company may not be able to integrate successfully the services, content, products and personnel of any acquisition into the Company's operations;
- the Company may be required to incur debt or issue debt or equity securities, which may dilute the interests of existing shareholders, to pay for acquisitions; and
- the Company may not derive the intended benefits of any acquisition and investments and it may lose its entire investment.

If the Company fails to adequately protect its intellectual property rights or faces a claim of intellectual property infringement by a third party, it could lose its property rights or be liable for significant damages.

The Company relies primarily on a combination of copyrights, trademarks, trade secret laws, the Company's user policy, licensing agreements and restrictions on disclosure to protect the Company's intellectual property. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the content on the Company's Web site, the software developed by the Company or the Company's other intellectual property without authorization. Russia generally offers less intellectual property protection than Europe or North America. If the Company is unable to protect its proprietary rights against infringement or misappropriation, it could materially harm its future financial results and the ability to develop the Company's business. In addition, the Company may need to engage in litigation in order to enforce the Company's intellectual property rights in the future or to determine the validity and scope of the rights of others. Any litigation could result in substantial costs and diversion of management and other resources, either of which could have a material adverse effect on the Company's business, operating results and financial condition.

The absence of an effective strategy to protect intellectual property rights can materially and adversely affect the Company's future activities.

The Company is at present intensively developing and enlarging its spheres of activity. The measures taken to protect and enforce its intellectual property rights need to keep pace with its projected economic development and need to support the relevant commercial activities. The lack of experience of Russian companies in devising a policy to protect intellectual property rights can give rise to a number of negative consequences, such as:

- The Company may be unable to use its brand and trademark in a number of countries in connection with certain products and services;
- The Company may be unable to register certain domain names in a number of domains;
- The Company may experience difficulties when commercially exploiting software it has developed because it has failed to timely conclude licensing agreements with the owners of software tools used to develop the Company's software; and
- Conflicts can emerge between the Company on one side and employees, outside specialists and other companies on the other side in connection with the joint development of products and the sharing of the right to use such products.

The trademark "ÐÁÊ" in Cyrillic letters has not been registered and the trademark "RBC" in Latin letters is a registered trademark of a third party, which may negatively affect the business of the Company.

The Company has invested heavily in obtaining recognition in the Russian market for its Russian trade name "RBK" which the Company and its subsidiaries use extensively. The Company has filed for registration of the trademark "ÐÁÊ" in Cyrillic letters and awaits registration of the same. On the other hand, the trademark "RBC" in Latin letters is a registered trademark of a third party. If the Company fails to obtain registration for its trademark, it cannot prevent the use of such trademark by others, which can have a material adverse effect on its business. In addition, in Moscow alone there are more than twenty registered organizations whose names contain the acronym "RBK". The Company cannot prevent these organizations from using their names and there is a risk that the activities of these other companies may negatively affect the business and reputation of the Company.

The Company depends on the increased usage and efficient operation of the Internet.

The Internet-based information market in Russia is new and rapidly evolving. The Company's business would be materially and adversely affected if Internet usage does not continue to grow or grows more slowly than anticipated. Internet usage may be inhibited for a number of reasons, including:

- inadequate network infrastructure;
- security concerns;
- inconsistent quality of service;
- unavailability of cost-effective, high-speed access to the Internet;
- a slower than expected growth in the income of the population; and
- the absence of necessary legal regulations for the commercial use of the Internet.

The Company's audience depends on Internet service providers, online service providers and other Web site operators for access to the Company's Web sites. Many of these services have experienced significant service outages in the past and could experience service outages, delays and other difficulties due to system failure unrelated to the Company's systems. These occurrences could cause the visitors to the Company's Web sites to perceive the Internet in general, or the Company's Web sites in particular, as unreliable and, therefore, cause them to use other media to obtain their company and business information. The Company also depends on third-party information providers to deliver information and data feeds to the Company on a timely basis. The

Company's Web sites could experience disruptions or interruptions in service due to the failure or delay in the transmission or receipt of this information, which could have a material adverse effect on the Company's business, operating results and financial condition.

If the Company cannot keep pace with rapidly changing technology and demands of its customers, it may be unable to enhance its existing services or introduce new services and IT products.

The market in which the Company operates is characterized by rapidly changing technology, evolving industry standards, frequent new service announcements, introductions and enhancements and evolving customer demands. These market characteristics are exacerbated by the emerging nature of the Internet and the electronic distribution of business information. Accordingly, the Company's future success will depend on its ability to adapt to rapidly changing technologies and industry standards and the Company's ability to continually improve the performance, features and reliability of its products and services in response to both evolving customer demands and competitive product and service offerings. The Company's inability to adapt successfully to these changes in a timely manner could have a material and adverse effect on the Company's business, operating results and financial condition. If the Company is unable, for technological or other reasons, to develop and introduce new products and services or to enhance existing services in a timely manner or in response to changing market conditions or customer requirements, or if the Company's services or enhancements contain defects or do not achieve a significant degree of market acceptance, the Company's business, results of operations and financial condition would be materially and adversely affected.

As an Internet related IT company, the Company's shares may experience extreme price and volume fluctuations, which would increase the likelihood of its becoming subject to securities litigation.

The stock market has, from time to time, experienced extreme price and volume fluctuations. During the year 2001, the market prices of the securities of Internet- and software-related companies have experienced a rapid decline often unrelated to the operating performance of the affected companies. Broad market fluctuations of this type may adversely affect the market price of the Company's shares. In the past, companies that have experienced volatility in the market price of their shares have been the targets of securities litigation. If the Company were sued by shareholders or public prosecutors on the basis that the filing made with competent authorities in connection with the issue of the Company's shares contained incorrect, incomplete or misleading information, the share issue which forms the basis of this offering could be invalidated and the Company would have to repay the entire proceeds of the offering. The result would be a diversion of the Company's resources, potentially having a material adverse effect on the Company's business, operating results and financial condition.

The executive officers of the Company will continue to exercise control.

After the offering, the Company's executive officers will beneficially own or control, collectively, more than 80,000,000 shares of the Company, representing approximately 80% of the voting power. Such persons, if they were to act together, will be in a position to elect and remove directors and control the outcome of most matters submitted to shareholders meetings for a vote. Additionally, such persons would be able to significantly influence a proposed amendment to the Company's charter, a merger proposal, a proposed substantial sale of assets or other major corporate transaction. Such concentration of ownership may discourage a potential acquirer from making an offer to buy the Company's shares, which, in turn, could adversely affect their market price.

Future sales of shares in the Company may negatively affect the share price.

If the Company's shareholders sell substantial amounts of the Company's shares following this offering, the market price of the Company's shares could be adversely affected. In addition, the sale of shares by the Company or its shareholders in order to fulfill obligations under the convertible notes issued by RBC Investments (Cyprus) Limited upon exercise of conversion rights may also negatively affect the market price of the shares. The Company has not been provided with information on the identity of the noteholders and it cannot confirm their intentions. Possible future sales by them and the other existing shareholders might make it more difficult for the Company to sell equity securities in the future should such a need arise and may negatively affect the share price.

Failure to fulfill obligations in respect to the conversion of the Notes could negatively affect activities of the Company and its share price

The Company is obligated to convert the Notes into ordinary shares of the Company. However, the Company is unable to influence the decisions on issuing the new shares necessary to facilitate the conversion. These can only be taken at the Company's general shareholders meeting and by its board of directors. Therefore, there is a risk that the Company may not be able to fulfill its obligations and would in this case be obliged to repay the proceeds from the placement of the Notes, which it has received as a loan from RBC Investments (Cyprus) Limited, as well as damages. This could adversely affect the Company's business and the price for its shares. The existing shareholders have expressed to the Company their willingness to make their own shares available to facilitate conversion. Once the existing shareholders have entered into binding contractual arrangements to this effect, the risk for the Company from its conversion obligation would be considerably mitigated.

Investors in this offering will suffer immediate and substantial dilution.

The Company believes that the price at which the shares will be placed in the present public offering will be such that the price each purchaser of the shares pays in the public offering will be substantially higher than the value of the Company's net assets per share. Purchasers of the shares of the Company will incur immediate and substantial dilution in net tangible book value per share.

The Company has a limited operating history on which to evaluate the Company's prospects and the quality and reliability of management.

OAO RBC Information Systems started operating as a holding company in 2001. The Company's core operations were developed by subsidiaries starting in 1993. However, there is no financial data under IAS available for these subsidiaries prior to 1999. The Company has produced audited financial statements in accordance with IAS for the first time in the financial year 2000. Since audited financial statements under IAS are only available for the financial years 2000 and 2001, it is difficult to identify trends and developments in the business of the Company. Due to major differences in the accounting standards, results for the financial year 1999 presented for separate group companies on the basis of Russian accounting standards should not be compared to financial data compiled on an IAS basis, as the result would be misleading. Such comparison is also not recommended in respect of the Company's statutory accounts produced in accordance with Russian accounting standards for 2000 and 2001 because these were not audited by an international auditing firm and may not reflect the true position of the Company.

Government regulation and legal uncertainties relating to the Web could hurt the Company's business.

Currently, there are few laws or regulations that specifically regulate communications or commerce on the Web. However, laws and regulations may be adopted that address issues such as user privacy, pricing and the characteristics and quality of goods and services. For example, the draft federal law "On legal regulation of Internet services" imposes various obligations on Internet service providers, the nature and scope of which is hitherto untested. It may take years to determine the extent to which existing laws relating to issues such as property ownership, libel and personal privacy apply to the Web. Finally, tax laws and regulations relating to the provision of goods and services over the Internet are still developing. If the Russian Federation imposes taxes on products and services provided over the Web, the cost of the Company's products may increase and the Company may not be able to increase the price it charges for its products to cover these costs. Any new laws or regulations or new interpretations of existing laws and regulations relating to the Web could adversely affect the Company's business.

The Company may be subject to legal claims in connection with the content it publishes and distributes.

The Company may be subjected to claims based on negligence or other actions relating to the information it distributes. Similarly, the Company may be subjected to claims for defamation or copyright or trademark infringement relating to the information the Company provides in the Company's products. In the past, these types of claims have been brought, sometimes successfully, against on-line services as well as print publications. The Company could also be subjected to claims based upon the content that is accessible from the Company's products through links to other Web sites. These types of claims could be time-consuming and expensive to defend, and could result in the diversion of the management's time and attention. In addition, if the Company's products provide faulty or inaccurate information, or fail to provide all the information a user expects, the Company could be subject to legal liability. The Company's insurance and contractual provisions with users and information providers may not protect the Company against these types of claims.

Defects in the Company's software products, if any, may be costly to rectify, and the Company could be held liable and its reputation could suffer.

Complex software, like the software the Company develops for its customers, may contain errors or defects, especially when first implemented, that may be costly to rectify. Defects or errors could also harm customers using the Company's software products and result in downtime. If this happens, the Company's business could suffer significantly from potential adverse customer reaction and negative publicity and harm to the Company's reputation.

There is no trading market for the Company's shares prior to the offering; its future market value is therefore uncertain.

Before this offering, there was no public market for the Company's shares. After this offering, investors may not be able to resell the Company's shares at or above the initial public offering price due to a number of factors, including:

- actual or anticipated fluctuations in the Company's operating results or annualized contract values;
- changes in expectations as to the Company's future financial performance;
- changes in securities analysts' financial estimates and projections;
- the operating and price performance of the Company's competitors and other comparable companies.

Potential purchasers of shares in the Company should be aware that in accordance with Russian law, they would be unable to sell shares they acquire in the offering on the secondary market until after the report on the completion of the share placement has been registered. The registration can take up to several weeks. This inability to sell presents a risk to investors and may negatively affect the price of the shares.

A significant event could result in substantial property loss and inability to recover in a timely fashion or at all and may cause significant harm to the Company's operations and profitability.

If a major event were to affect one of the Company's facilities, the Company could experience substantial property loss and may not be able to rebuild or restore operations in a timely fashion or at all. The Company does not maintain separate funds or otherwise set aside reserves for these types of events. The Company's technical equipment is properly insured but this may not be sufficient for the type and size of the Company's operations. This may have a material adverse effect on the financial position of the Company.

Formal errors that occurred during the implementation of the new holding structure and in the course of acquisition of some of the subsidiaries could be used by shareholders or other parties to invalidate share transfe rs and issues.

When the Company implemented its new holding structure, shares and interests in its subsidiaries had to be transferred within the structure to the new holding entity. These transfers suffered from a number of procedural errors. Under Russian law, all procedural breaches may cause underlying transactions to be invalidated. The Company has taken measures to remedy the situation and is in the process of curing the relevant procedural defects. However, prior to these measures taking effect, the transfers may be invalidated by court action by the existing shareholders, other parties to the transactions or the public authorities. The Company has thus taken steps to limit the negative effect of any such invalidation

If any of the Company's subsidiaries is forced into liquidation due to negative net equity, the Company's results of operation could suffer.

Under Russian legislation, if a company's net assets fall below certain minimum legal requirements, it is required to decrease its charter capital and may in certain circumstances be involuntarily liquidated. In past years, the net assets of some members of the Company's holding structure were below the legal minimum, but as a practical matter, the Company believes that it is solvent and continues to meet all of its obligations to creditors. In the strict legal sense, however, the net assets of certain members of the holding structure were reflected in their financial statements as less than their charter capital. Accordingly, the Company has taken action to rectify this situation. The Company understands that a Moscow court recently liquidated a company pursuant to this legislation, although the Company is not aware of any other situation where a Russian company has been liquidated pursuant to this le gislation if it has met all of its obligations to creditors. However, if involuntary liquidation were to occur, the Company would be forced to reorganize the operations it currently conducts through the affected members of the holding structure. Any such liquidation would adversely affect the business of the Company and would lead to additional costs, which would negatively affect the Company's business and financial position.

Inflation could increase the Company's costs and decrease the Company's operating margins.

The Russian economy has been characterized by high rates of inflation, including an annual inflation rate of 84.4% in 1998. Although the annual inflation state subsided to about 18% in 2001, it has picked up again in the first three months of 2002. Certain of the Company's costs, such as salaries, are sensitive to rises in the general price level in Russia. In this situation, due to competitive pressures, the Company may not be able to raise the prices for the Company's products sufficiently to preserve operating margins. Accordingly, high rates of inflation could increase the Company's costs and decrease the Company's operating margins.

If the Company's various initiatives towards reducing its tax burden are successfully challenged by the Russian tax authorities, the Company may face significant losses.

The Company has relied on various initiatives to reduce its tax burden. In particular, the Company has established limited operations in the Altai region that offers a favorable tax regime. As a result, the Company has availed itself of certain tax benefits and has been exempted from the payment of several types of taxes. Moreover, the Company has also enjoyed some tax benefits as a mass media company. However, Russian legislation on mass media contains a number of ambiguous provisions and is not fully in line with the present Russian civil and corporate legislation. If such ambiguous provisions are interpreted unfavorably, the Company could lose certain benefits. There have been press reports of instances in which the Russian tax authorities have successfully challenged tax structures used by Russian companies. Accordingly, if the tax benefits the Company has obtained are successfully challenged by the Russian tax authorities, the Company would face significant losses associated with the amount of tax assessed as underpaid and related interest and penalties. These losses could have a material impact on the Company's financial condition and results of operations. In addition, the Company has decided to discontinue its presence in Altai, with the consequence that its financial results and earnings in coming years will be subject to profit tax in full at the standard rate.

Investors may be unable to repatriate earnings from the Company's shares.

Russian currency control legislation pertaining to payment of dividends currently provides that ruble dividends on shares may be paid to owners of shares without restriction. The ability of foreign shareholders to convert rubles into hard currencies is subject to the availability of hard currency in Russia's currency markets. Although there is an existing market within Russia for the conversion of rubles into hard currencies, including the interbank currency exchange and over-the-counter and currency futures markets, the further development of this market is uncertain. At present, outside of Russia there is no market for the conversion of rubles into foreign currencies and no viable market in which to hedge ruble-currency and ruble-denominated investments.

Financial turmoil in emerging markets could cause the price of the Company's shares to suffer.

In recent years, the financial turmoil in Russia and other emerging markets of 1997 and 1998 has adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. Continued or increased financial downturns in these countries could cause further decreases in the Company's share price even if the Russian economy remains relatively stable.

Political instability would negatively affect the Company.

The Russian political system generally remains vulnerable to popular dissatisfaction, as well as to unrest by particular social and ethnic groups. In addition, the composition of the Russian government—the prime minister and the other heads of federal ministries—has at times been highly unstable. Notably, six different prime ministers headed governments between March 1998 and May 2000. Significant political instability could have a material adverse effect on the value of foreign investments in Russia, including the value of the Company's shares.

Conflict between federal and regional authorities and other conflicts could create an uncertain operating environment.

The Russian Federation consists of 89 sub-federal political units, some of which exercise considerable power over their internal affairs pursuant to agreements with the federal authorities. In practice, the division of authority between federal and regional governments remains uncertain and contested. Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to communal tensions and military conflict. From 1994 to 1996 and from 1999 to date, Russian military forces have been engaged in major ground and air operations in Chechnya, bringing normal economic activity within Chechnya to a halt and disrupting the economy of the neighboring regions. The spread of violence, or political measures taken to counter violence, such as the imposition of a state of emergency, could hinder the operation and the expansion of the Company's businesses.

Economic instability in Russia could adversely affect demand for the Company's goods and services.

A major part of the Company's product mix is the provision of information services to operators in the financial markets. Any of the following problems which the Russian Federation has experienced over the past years may severely affect the financial markets and therefore the demand for the services offered by the Company and the ability of its customers to utilize and pay for such services:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high government debt relative to gross domestic product;
- a weak banking system providing limited liquidity to Russian enterprises;
- high levels of loss-making enterprises that continue to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of a black and gray market economy;
- pervasive capital flight;
- high levels of corruption and the penetration of organized crime into the economy;
- significant increases in unemployment and underemployment; and
- the impoverishment of a large portion of the Russian population.

There can be no assurance that recent trends in the Russian economy—such as the increase in the gross domestic product, a relatively stable ruble, and a reduced rate of inflation—will continue or will not be abruptly reversed. Moreover, recent fluctuations in international oil and gas prices, the strengthening of the ruble in real terms relative to the dollar and the consequences of a relaxation in monetary policy, or other factors, could adversely affect the Russian Federation's economy and the Company's business.

Russia's physical infrastructure is in very poor condition, which could disrupt normal business activity.

Russia's physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained over the past decade. Particularly affected are, among others, the power generation and transmission and the communication systems. The federal government is actively considering plans to reorganize the nation's rail, electricity and telephone systems. Any such reorganization may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The deterioration of Russia's physical infrastructure harms the national economy, disrupts access to communications, adds costs to doing business in Russia and can interrupt business operations. This could have a material adverse effect on the Company's business and the value of the Company's shares.

Fluctuations in the global economy may adversely affect Russia's economy, limiting the Company's access to capital and adversely affecting the purchasing power of the Company's customers and thus the Company's business.

Russia's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. Additionally, because Russia produces and exports large quantities of oil, the Russian economy is especially vulnerable to the price of oil on the world market and a decline in the price of oil could slow or disrupt the Russian economy. These developments could adversely affect the purchasing power of the Company's customers, could lead to a slow-down of activity on the financial markets in Russia and thus negatively affect the Company's business.

Crime and corruption could disrupt the Company's ability to conduct its business.

The political and economic changes in Russia since the early 1990s have resulted in reduced policing of society and increased lawlessness. Reportedly, organized criminal activity has increased significantly, particularly in large metropolitan centers. Property crime in large cities has also increased substantially. In addition, the Russian and international press have reported high levels of official corruption in Russia, including the bribing of officials for the purpose of initiating investigations by government agencies. Press reports have also described instances in which government officials have engaged in selective investigations and prosecutions to further commercial interests of the government and individual officials. Additionally, published reports indicate that a significant number of Russian media regularly publish slanted articles in return for payment. The Company's operations could be affected by illegal activities, corruption or claims implicating the Company in illegal activities, all of which could materially and adversely affect the price of the Company's shares.

There is a risk of government intervention in independent media in Russia.

During the past 12 months, two instances were widely reported in the press in which Russian public authorities, at the instigation of shareholders or creditors, started legal proceedings against certain non-state owned media enterprises with the aim of liquidating such enterprises. In sections of the public, this was interpreted as an attempt by the state to tighten control over independent media. If this interpretation is correct there is risk that other sources of independent information, such as the Company's services, could also be the object of similar attention, which may result in liquidation, loss of control of the present shareholders, or a revocation of the licenses essential for the business of the Company. This could materially and adversely affect the price of the Company's shares.

Weaknesses relating to the Russian legal system and Russian legislation create an uncertain environment for investment and for business activity.

Russia is still developing the legal framework required to support a market economy. Among the risks of the current Russian legal system are:

- Legal norms, at times, overlap or contradict one another. In addition, certain important bills have yet to be adopted;
- There is a lack of judicial and administrative guidance on interpreting legislation as well as lack of sufficient comments on judicial rulings and legislation;
- The relative inexperience of judges and courts in interpreting legislation;

- A high degree of discretion on the part of governmental authorities; and
- Bankruptcy procedures are not well developed and are subject to abuse.

Additionally, several fundamental Russian laws have only recently become effective. The recent nature of much of Russian legislation, the lack of consensus about the aims, scope, content and pace of economic and political reform and the rapid evolution of the Russian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities, inconsistencies and anomalies. For example, the regulations governing the registration by the Russian Federal Commission for the Securities Markets of placement reports in public offerings, like this offering, are relatively new and untested. This makes it difficult to assess the risk that the placement report will not be registered, subsequently challenged and that the shares in this offering will be cancelled. There have been instances reported in the press in which shares issues have been successfully challenged and annulled at the request of third parties based on formal shortcomings, even without participation of and information to the parties concerned, i.e. the issuer and its shareholders. In practice, a share issue may therefore be annulled on the basis of any formal and even immaterial non-compliance with legal requirements. The fact that the relevant regulatory authorities have registered a share issue does not give any official approval or endorsement to the documents that form the basis of the issue. In addition, Russian legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect the validity of shares offered and any transactions involving those shares, the Company's ability to enforce its rights under contracts, or to defend itself against claims by others.

Lack of independence and inexperience of the judiciary and the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Company or investors from obtaining effective redress in a court proceeding.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Russia remains largely untested. The court system is understaffed and under funded. Judges and courts are generally inexperienced in the area of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all Russian legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. The Russian judicial system can be slow and enforcement of court orders can, in practice, be very difficult. All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims are often used in furtherance of political aims. The Company may be subject to such claims and may not be able to receive a fair hearing. Additionally, court orders are not always enforced or duly followed by law enforcement agencies. These uncertainties also extend to property rights and can have a material adverse effect on the Company.

Arbitrary government action may have an adverse affect on the Company's business and the value of an investment in the Company's shares.

Government authorities have a high degree of discretion in Russia and at times some subordinate officials exercise their discretion arbitrarily without being duly controlled by other authorities and the society, without hearing or prior notice, and sometimes in a manner that may not be in full accordance with the law. Moreover, the government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Other government actions negatively impacting the commercial sector include withdrawal of licenses, sudden tax audits (including tax audits involving strong-arm tactics), criminal prosecutions, civil actions and interference into affairs of private persons and organizations. According to Russian and international press reports, Federal and local government entities have in some cases used legal loopholes and procedural ambiguities to invalidate share issuances and registrations or to void transactions, merely for political purposes. Government action, if directed at the Company, could have a material adverse effect on the Company's business and on the price of the Company's shares.

Minority shareholders have minimal recourse to companies under Russian law.

In general, minority shareholder protection under Russian law derives from supermajority shareholder approval requirements for certain corporate action, as well as from the ability of a shareholder to demand that the company purchase the shares held by that shareholder if that shareholder voted against certain types of action. The Company is also required by Russian law to obtain the approval of disinterested shareholders for certain transactions with related parties. While these protections are similar to the types of protections available to minority shareholders in other jurisdictions, in practice, corporate governance standards for many Russian companies have proven to be poor, and minority shareholders in Russian companies have suffered losses due to abusive share dilutions, asset transfers and transfer-pricing practices. Shareholder meetings have been irregularly conducted, and management has not always respected shareholder resolutions. It is possible that the Company's majority shareholders and the Company's management in the future may not run the Company and its subsidiaries for the benefit of minority shareholders and this could materially and adversely affect the value of the Company's shares. Disclosure and reporting requirements, and anti-fraud legislation have only recently been enacted in Russia. Most Russian companies and managers are not accustomed to restrictions on their activities arising from these requirements. The concept of fiduciary duties of management or directors to their companies or shareholders is new to Russian law. Violations of disclosure and reporting requirements or breaches of fiduciary duties to the Company and its subsidiaries or to its shareholders could materially and adversely affect the value of an investment in the Company's shares. While the Federal Law on Joint Stock Companies provides that shareholders owning not less than one percent of the company's shares may bring an action against the members of the management board for damages on behalf of the company, Russian courts do not as yet have experience with respect to such suits. Accordingly, an investor's practical ability to pursue legal redress against the Company may be limited, reducing the protections available to minority shareholders.

Uncoordinated regulation of Russian capital markets provides inadequate protection to security holders.

The Russian securities market is in the early stages of development and is regulated by several different authorities that are often in competition with each other. These include:

- The Federal Commission for the Securities Markets;
- The Ministry of Finance;
- The Ministry for the Anti-Monopoly Policy;
- The Central Bank; and
- The Ministry of Property Relations.

The regulations of these various authorities are not always in line with the law and may be contradictory. This could reduce the protection available to a holder of the Company's shares and reduce the price of the Company's shares.

The lack of a central and properly regulated share registration system in Russia may harm share liquidity.

Ownership of shares in Russian joint stock companies is determined by entries in a share register and is evidenced by extracts from that register. Currently in Russia, there is no central registration system. The Federal Commission for Securities Markets has issued regulations regarding the licensing conditions for such registrars and the procedures to be followed by them when performing their functions. In practice, however, these regulations have not been strictly enforced and registrars generally have relatively low levels of capitalization and inadequate insurance coverage. Moreover, registrars are not necessarily subject to effective governmental supervision. Due to the lack of a central and rigorously regulated share registration system in Russia, transactions in respect of a company's shares could be improperly or inaccurately recorded, and share registration could be lost through fraud, negligence or mere oversight by registrars incapable of compensating shareholders for their misconduct.

The Russian tax system could materially and adversely affect an investment in the Company's shares.

Generally, taxes payable by Russian companies are substantial and numerous. These taxes include, among others:

- income taxes;
- value-added and other sales-based taxes;
- excise taxes; and
- social and pension contributions.

Tax legislation is subject to frequent change and some of the laws related to the above-mentioned taxes are comparatively new. Therefore the government's implementation of these regulations is often unclear or nonexistent. Extensive court practice in respect of these questions does not exist.

Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations, such as the Ministry of Taxes and Duties and its various inspectorates, creating uncertainties. Tax declarations, together with other legal compliance areas including, for example, customs and currency control matters, are subject to review and investigation by a number of authorities, which are enabled by law to impose extremely severe fines, penalties and interest charges. Generally, tax declarations remain open and subject to inspection for a period of three years following any tax year. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from further review during the related three-year period. These facts create tax risks in Russia more significant than typically found in countries with more developed tax systems. The taxation system in Russia is subject to frequent changes and inconsistent enforcement at the federal, regional and local levels. In some instances, new taxes have been given retroactive effect. These conditions complicate the Company's tax planning and related business decisions, and expose the Company to significant fines and penalties and to enforcement measures despite the Company's best efforts at compliance. To date, the system of tax collection has been relatively ineffective, resulting in the continual imposition of new taxes in an attempt to raise government revenues. These factors raise the risk of imposition of arbitrary or onerous taxes on the Company. This could adversely affect the value of the Company's shares.

Moreover, financial statements of Russian companies are not consolidated for tax purposes. Therefore, each of the Company's Russian entities pays its own taxes and may not offset its profit or loss against the loss or profit, respectively, of another of the Company's subsidiaries. As Russian legislation contains no consolidation provisions, dividends within the entities of the Company may be subject to Russian taxes at each level.

Ecological accidents or environmental hazards in Russia could negatively affect the Company.

All parts of the ecological system, i.e. the atmosphere, water resources, soil, animals and plants, in all areas of heavy industrial activity in Russia, are in a state that may be harmful to human existence. According to available information, about 15% of Russian territories are in ecological distress. This situation negatively affects the health of the population in Russia. In addition, there are a number of nuclear and other dangerous installations on Russian territory, where safety systems to contain ecological risks may not be sufficiently effective. The occurrence of accidents in these installations, as well as the general unfavorable ecological situation in Russia, may have a material adverse effect on the activities of the Company.

REGULATION

The Company is subject to various laws and governmental regulations including special legislation relating to its mass media and advertising activities. In general, the activities of media and information companies are subject to more extensive regulation in the Russian Federation than would be expected in Western European countries. Laws particularly relevant to the activities of the Company are the following:

- Federal Law on Mass Media;
- Federal Law on Advertising;
- Federal Law on Information, Distribution of Information Technologies (Informatization) and Protection of Information;
- Federal Law on Electronic Digital Signatures;
- Federal Law on Communication;
- Federal Law on Participation in International Data Exchange;
- Federal Law on Copyright and Related Rights;
- Federal Law on Legal Protection of Computer Programs and Databases; and
- Rules on the Distribution of Periodicals by Subscription.

Governmental bodies regulating the Company's activities

Numerous government authorities in the Russian Federation are involved in regulating and controlling the Company's activities pursuant to the aforementioned laws. The most relevant are the Ministry of the Russian Federation for Matters of Press, Television and Radio Broadcasting and Mass Communications Means (the "Press Ministry") and the Ministry for Anti-Monopoly Policy and Business Support.

Registration and limitations in the sphere of mass media activities

Any mass media (i.e. any newspaper, radio or television station, Internet news service) in Russia is subject to registration requirements. Most importantly, it has to register with the Press Ministry or its territorial subdivisions. The Company has obtained such a registration for seven types of mass media. The registration does not need to be renewed unless changes in the activities or the entities involved occur which necessitate amendments. The registration can be withdrawn by a court under certain circumstances, including the making of false statements when registering, non-use of the license for a year or more or if a special media charter has not been adopted by the operator no later than three months after the commencement of publishing activities. Foreigners and majority foreign owned companies are not allowed to engage (including via majority shares in Russian intermediary companies) in certain media activities, such as television and radio broadcasting. The registration process and ownership of mass media is highly political and subject to pressure from various parties, and is therefore unpredictable.

"Ros" is part of the word "Rossia" (Russia) and its use in company names is regulated. The Company has permission from the special Governmental Commission of the Russian Federation to use "Ros" in the name ZAO RosBusinessConsulting. The Company believes that, in accordance with Russian legislation, it is not obliged to pay the special tax for such right equal to 0.5 per cent of the Company's sales because it is a mass media company. The Company has not yet obtained a similar permission for the use of "Ros" in the name of ZAO Publishing House RosBusinessConsulting.

Commercial activities on the Internet

There are currently few laws or regulations directly applicable to commercial online services or the Internet. Performance of commercial activities via the Internet is mainly regulated by general civil legislation. As activities on the Internet are of a specific nature, the absence of special regulation gives rise to legal uncertainty. Laws dedicated to electronic commerce are being considered by the State Duma, but have not yet been enacted. Judicial bodies, as a rule, do not have sufficient experience in dealing with Internet commerce and judicial decisions are therefore unpredictable.

Certain rules exist in the field of domain names. Documents drafted by the Coordination Group of .RU Zone, the Russian Research Institute of Public Network Development (ROSNIIROS) and ANO Regional Network Information Center (RU-CENTER) are recognized as important for the use of and the proprietary rights to domain names. While these bodies attempt to establish some degree of order in the allocation of and access to certain domain names in Russia, the level of protection is still low. The State Duma is presently considering a draft law, which would establish a priority of trademark rights in the event of a conflict with a domain name. This law, when enacted, may undermine the status of existing domain names.

As the Company's services are available over the Internet anywhere in the world, multiple jurisdictions may claim that the Company has to qualify to do business as a foreign corporation in each of those jurisdictions. It is possible that state or foreign governments might also attempt to regulate the Company's transmissions of content on the Company's Web site or on the Web sites of others or prosecute the Company for violations of their laws.

Licensing and certification for information services and software development

At present, licenses are required for the following kinds of activities in the field of information services and software development:

- development and production of cryptographic means and other means to protect information and telecommunication systems;
- issuing certificates and providing services related to the use of electronic digital signatures and the confirmation of authenticity of electronic digital signatures; and
- operation of electronic networks.

Pursuant to the Federal Law on Communications, licenses are required for certain activities of individuals and legal entities related to the provision of communications services (including services on transmission of data and electronic media). At present, the Company does not hold any of these licenses as it considers that its activities are not subject to the licensing requirements.

Pursuant to the Federal Law on Information, Distribution of Information Technologies (Informatization) and Protection of Information, information systems, databases and data banks intended for providing information services to individuals and organizations need to be certified according to the procedure established by the state authorities under the Law of the Russian Federation on Certification of Products and Services. The Company has not yet obtained such a certificate because the state authorities have not yet established the procedure.

DESCRIPTION OF CAPITAL STOCK AND RUSSIAN LEGISLATION

The Company describes below its ordinary registered shares, the material provisions of its charter in effect as of the date of this offering circular and certain related requirements of Russian legislation.

History of the charter capital

OAO "Netrus Holding" was founded with a charter capital of RUR84,000 consisting of 840 ordinary shares with a nominal value of RUR100 each. The share issue was registered with the Moscow Regional Department of the Federal Commission for the Securities Market ("FCSM"), registration No. 1-01-05214-A, on 10 November 2000.

On 3 September 2001, a General Meeting of Shareholders resolved to divide the charter capital into 168,000 ordinary shares with a nominal value of RUR0.5 each. This division was registered with the Moscow Regional Department of the FCSM, registration No.1-02-05214-A, on 17 September 2001.

On 24 September 2001, a General Meeting of Shareholders resolved to change the name of the holding company from OAO "Netrus Holding" to OAO "RBC Information Systems". The change of name was registered with the Moscow Registration Chamber on 24 September 2001.

On 30 November 2001, a General Meeting of Shareholders resolved to divide the charter capital into 84,000,000 ordinary shares with a nominal value of RUR0.0001 each, which is the current position. This division was registered with the Moscow Regional Department of the FCSM, registration No. 1-03-05214-A, on 21 December 2001.

All shares in the Company were issued as ordinary registered non-documentary shares.

General Matters

Under Russian legislation, "nominal value" is the minimum amount paid by a shareholder for each share and charter capital refers to the aggregate nominal value of the shares. In addition, there are currently 21,000,000 ordinary shares of the Company, each with a nominal value of RUR0.001, that are authorized but not yet issued. These ordinary shares represent the sole class of the Company 's outstanding capital stock. The Company has no authorized or outstanding preferred shares.

The Company's Purpose

Article 2.1 of the Company's charter provides that its main goal is to generate profits by the development, creation and possession of information technology, communications, trading, clearing and settlement and other systems.

Rights Attached to Shares

The Company has the right to issue registered common shares, preferred shares, and other securities provided for by legal acts of the Russian Federation with respect to securities. Preferred shares may only be issued after necessary amendments have been made to the charter pursuant to a resolution of the general meeting of shareholders.

The Company has so far issued only common shares. Holders of common shares in the Company have the right to vote at all general meetings of shareholders. As required by the Federal Law on Joint Stock Companies and the Company's charter, all the common shares have the same par value and grant to the shareholders who own them an identical amount of rights. Each fully paid ordinary share, except for treasury shares (which are shares purchased and held by the Company in accordance with Russian law), gives its holder the right to:

- freely transfer the shares without consent of other shareholders;
- receive dividends;
- participate in shareholders meetings and vote on all matters put to a vote of shareholders;
- transfer voting rights to a representative on the basis of a power of attorney;
- elect candidates for the board of directors and the internal audit commission;
- demand, under the following circumstances, that the Company repurchase all or some of the shares owned by such holder, as long as such holder voted against or abstained from voting on any decision approving the following:
  - reorganization,
  - conclusion of a major transaction; and
  - amendment of the Company's charter that restricts the holder's rights;
- upon liquidation, receive a proportionate amount of the Company's property after its obligations are fulfilled;
- have free access to the Company's documents and receive copies for a reasonable fee; and
- exercise other rights of a shareholder given in the Company's charter, under Russian legislation and by decisions of a shareholders meeting.

In addition, shareholders holding, alone or with other holders, not less than 2% of the issued ordinary shares have the right to make proposals for the annual shareholders' meeting and propose candidates to the board of directors and the internal audit commission. Shareholders holding, alone or with others, not less than 10% of the issued ordinary shares may demand that the board of directors call an extraordinary shareholders meeting or an unscheduled audit by the internal audit commission. A shareholder holding, alone or with others, not less than 25% of the issued ordinary shares is to be given free access to accounting documents and minutes of the Company's collective executive body.

Preemptive Rights and Anti-Takeover Protection

The Company's charter provides existing shareholders with a preemptive right to purchase shares or convertible securities during an open subscription. Russian legislation also requires that any person who intends, either alone or with affiliates, to acquire more than 30% of the ordinary shares of a company having more than 1,000 common shareholders, must give at least 30, but no more than 90, days prior written notice to the existing shareholders.

Additionally, a person acquiring 30% or more of the ordinary shares of a company with more than 1,000 shareholders, within 30 days of acquiring 30% or more of such shares, must offer to buy all ordinary shares or securities that are convertible into such shares at a price not lower than the weighted average acquisition price of the shares during the six months before the date of acquisition of 30% or more of such shares. The legislation also states that this requirement applies to each acquisition of 5% of the outstanding shares of a company over the 30% level. Russian legislation is unclear on whether this requirement applies to shareholders already owning over 30% of a company's ordinary shares. The application of these provisions is not entirely clear since in certain circumstances they conflict with other provisions of the legislation.

Failure to observe these requirements results in the acquirer only being able to exercise the voting rights arising from shares which were purchased in compliance with the requirements.

These requirements may be waived in a company's charter or by a resolution adopted by a majority vote at a shareholders meeting, excluding the votes of the person acquiring shares. The Company's charter does not contain such a waiver and the Company's shareholders have not waived this requirement.

Dividends and Dividend Rights

The Federal Law on Joint Stock Companies and the Company's charter set forth the procedure for determining the annual dividends that the Company distributes to its shareholders. According to the Company's charter, annual dividends are recommended to a shareholders meeting by a majority vote of the board of directors and approved by an annual shareholders meeting by a majority vote. The annual dividend approved at an annual shareholders meeting may not be more than the amount recommended by the board of directors. Annual dividends are distributed to shareholders and nominal holders who were included in the Company's register on the day on which the list of persons having the right to participate in the annual shareholders' meeting was compiled. See "General Meetings of Shareholders—Notice and Participation". Dividends are not paid on treasury shares.

The Federal Law on Joint Stock Companies allows dividends to be paid only out of net profits for the current year calculated under Russian accounting principles and as long as the following conditions have been met:

- the charter capital of the company has been paid in full;
- the value of the company's net assets, taking account of the proposed dividend payment, is not less than the sum of its charter capital and reserve fund;
- the company has repurchased all shares from shareholders having a right to demand repurchase; and
- the company is not insolvent, and would not become insolvent, as the result of payment of the dividend.

Distributions on Liquidation to Shareholders

Under Russian legislation, the liquidation of a company results in its termination without the transfer of rights and obligations to other persons as legal successors. The Company's charter allows it to be liquidated:

- by a three-quarters majority vote at a shareholders meeting; or
- by a court order.

Following a decision to liquidate the Company, the right to manage the Company's affairs would pass to a liquidation commission which, in the case of voluntary liquidation, is appointed by a shareholders meeting and, in an involuntary liquidation, is appointed by the court. Creditors may file claims within a period to be determined by the liquidation commission, but which is at least two months from the date of publication of notice of liquidation by the liquidation commission.

The Civil Code gives creditors priority during liquidation. The remaining assets of a company are distributed among shareholders in the following order of priority:

- payments to repurchase shares from shareholders having the right to demand repurchase;
- payments of declared but unpaid dividends on preferred shares and the liquidation value of the preferred shares, if any; and
- payments to holders of ordinary shares on a pro rata basis.

Approval of the Ministry of Antimonopoly Policy of the Russian Federation

Pursuant to Russian antimonopoly legislation, transactions exceeding a certain amount or involving a company considered to have a dominant market position and which would result in a shareholder (or a group of affiliated shareholders) having a shareholding in that company equal to or exceeding 20% of the total shareholding in that company must be approved in advance by the Ministry of Antimonopoly Policy of the Russian Federation.

Notification of Foreign Ownership

Pursuant to Russian securities legislation, any foreign person or company acquiring shares in a Russian joint stock company must notify the Russian Federal Commission for the Securities Markets of such acquisition on the date of such acquisition in the form and substance required by Russian securities legislation. Other than this notification requirement, there are no requirements or restrictions with respect to foreign ownership of shares in the Company. All companies with foreign ownership interests are required to be registered in the State Register of Companies with Foreign Investment with the State Registration Chamber.

Liability of Shareholders

The Civil Code and the Federal Law on Joint Stock Companies generally provide that shareholders in a Russian joint stock company are not liable for the obligations of the joint stock company and bear only the risk of loss of their investments.

This may not apply to companies or individuals who are capable of making decisions and directing the business of a Russian joint stock company.

An investor will therefore not be personally liable for the Company's debts or those of its subsidiaries unless the investor controls the decision-making or management of the business. However, the Company may be liable for the debts of those of its subsidiaries in which the Company controls the decision-making or management of the business.

Alteration of Capital

Share Capital Increase

The Company may increase its charter capital by

- issuing new shares, or
- increasing the nominal value of shares using the Company's net income.

Generally, a decision to increase the charter capital by issuing additional shares requires a majority vote of the board of directors if there are sufficient authorized unissued shares. Increasing the nominal value of issued shares requires a majority vote at a shareholders meeting. In addition, the issuance of shares above the number of authorized shares provided in the Company's charter necessitates an amendment to the charter, which requires a three-quarters majority vote at a shareholders meeting.

The Federal Law on Joint Stock Companies requires that newly issued shares be sold at market value except in limited circumstances where (i) existing shareholders exercise a preemptive right to purchase shares at not less than 90% of their market value or the price paid by third parties, or (ii) fees of up to 10% are paid to intermediaries, in which case the fees paid may be deducted from the price. The market value may not be set at less than the nominal value of the shares. The board of directors and an independent appraiser value any in-kind contributions for new shares.

The Federal Commission for the Securities Market, under the power given to it by the Federal Law on the Securities Market, has issued detailed procedures for the registration and issue of shares of a joint stock company. These procedures require:

- registration of a share issuance with the Federal Commission for the Securities Market;
- public disclosure of information relating to the share issuance; and
- following the placement of the shares, public disclosure and registration of the results of the placement of shares.

The Company disclosed information about the decision on allotment of shares by publishing information in the Attachment to the *Vestnik* of the FCSM No. 15 as of 22 February 2002 with corrections published in the Attachment to the *Vestnik* of the FCSM No. 19 as of 13 March 2002.

The Company submitted the documents required for the issuance of shares under this offering circular to the FCSM for its approval on 25 March 2002, and the FCSM approved these documents on 27 March 2002. The Company will, upon completion of this offering, comply with all other filing requirements established by the FCSM. Registration at the State Registration Chamber and the Moscow Registration Chamber of an amendment to the charter reflecting the capital increase is also required following the completion of the offering.

Capital Decrease; Share Buy-Backs

The Federal Law on Joint-Stock Companies does not allow a company to reduce its charter capital below the minimum charter capital required by law. As of March 1, 2002, the minimum charter capital for an open joint stock company was approximately $3,300. The Company's charter requires that any decision to reduce its charter capital, whether through the repurchase and cancellation of shares or a reduction in the nominal value of the shares, is to be made by a majority vote of a shareholders meeting. Additionally, within 30 days of a decision to reduce its charter capital, the Company must publish the decision and issue written notice to its creditors. Its creditors would then have the right to demand, within 30 days of publication or receipt of the Company's notice, repayment of all amounts due to them, as well as compensation for damages.

The Federal Law on Joint Stock Companies allows the shareholders or the board of directors to authorize the repurchase by the Company of up to 10% of its shares in exchange for cash. The repurchased shares must either be resold within one year of their repurchase or the shareholders must decide to cancel such shares and then either decrease the charter capital or increase the nominal value of the remaining shares to preserve the total amount of the charter capital.

The Federal Law on Joint Stock Companies allows the Company to repurchase its shares only if, at the time of repurchase:

- the Company's charter capital has been paid in full;
- the Company is not insolvent, and would not become insolvent, as a result of the repurchase;
- the value of the Company's net assets, taking account of the proposed repurchase, is not less than the sum of its charter capital and the reserve fund; and
- the Company has repurchased all shares from shareholders having a right to demand repurchase of their shares under legislation protecting the rights of minority shareholders, as described immediately below.

Russian legislation (to protect minority shareholders) and the Company's charter provide that the Company's shareholders may demand repurchase of their shares if:

- the Company reorganizes;
- the Company's charter is amended and the change negatively affects that shareholder; or
- the Company engages in a major transaction, as defined under Russian law.

As long as the shareholder demanding repurchase opposed the action or did not participate in the vote on such issues. The Company may spend up to 10% of its net assets for share redemption.

Board of Directors

The Company's charter provides that its entire board of directors must retire and stand for re-election at each annual general shareholders meeting and that a new board of directors be elected through majority voting. Before the expiration of their term, the director(s) may be removed at any time without cause by a majority vote of a shareholders meeting.

The Federal Law on Joint Stock Companies requires the board of directors of open joint stock companies to have at least seven members, if there are more than 1,000 shareholders, or at least nine members, if there are more than 10,000 shareholders. The Company's charter gives the shareholders meeting the right to make a decision on the number of members and candidates on the Company's board of directors. On February 25, 2002 the shareholders meeting made a decision that the board of directors shall have twelve members.

In companies with more than 1,000 shareholders, the members of the board of directors should be elected by the shareholders meeting through cumulative voting. In cumulative voting the number of votes each shareholder can cast in ordinary votes is multiplied by the number of persons to be elected onto the board of directors of the company and the shareholder can give all such votes to one candidate or spread them between two or more candidates.

The Federal Law on Joint Stock Companies prohibits the board of directors from acting on issues that fall within the exclusive competence of the general shareholders meeting. The Company's board of directors has the exclusive power to decide the following issues:

- determination of the Company's business priorities;
- organization of shareholders meetings, including setting a date, approving an agenda, and determining the date of record for shareholders entitled to participate;
- increase of the Company's charter capital by issuing additional shares within the limits of the authorized share capital;
- the Company's placement of bonds and other securities;
- determination of the market value of the Company's property and repurchase price of its shares;
- the Company's acquisition of shares, bonds, and other securities when provided for by the Law on Joint Stock Companies;
- determination of the formation of the Company's executive body and early termination of its powers;
- election of the Company's management board and its chairman and the establishment of their compensation;
- recommendations on the amount of the dividend on shares and the procedure for payment thereof;
- the use of the Company's reserve fund;
- the creation of branches and representative offices;
- approval of major and interested party transactions in the cases provided for by the Law on Joint Stock Companies; and
- approval of the Company's share registrar.

The Company's charter generally requires a majority vote of the directors present for an action to pass, with the exception of actions for which Russian legislation requires a unanimous vote or increased majority vote, such as the approval of major transactions or interested party transactions.

Executive Organs

The chairman of the executive board and the executive board have responsibility for the day to day administration of the Company. The Company's charter provides that the chairman of the executive board is appointed by the board of directors for a period of 3 years. The board of directors also determines annually the number of members for the executive board and which individuals shall be appointed. The board of directors has power to terminate the appointment of the chairman of the executive board and of the other members of the executive board at any time.

The Federal Law on Joint Stock Companies and the Company's charter prevent the chairman of the executive board or the executive board from acting on issues that fall within the exclusive competence of the board of directors or the general shareholders meeting. The chairman of the executive board has power, without requiring a power of attorney, to:

- sign finance documents on behalf of the Company;
- manage the property of the Company;
- represent the Company in Russia and abroad;
- enter into employment contracts with staff and administer disciplinary procedures;
- give a power of attorney to individuals to enable them to represent and bind the Company;
- open bank accounts on behalf of the Company and administer accounting policies for the Company; and
- handle other things required to achieve the aims of the charter.

The charter of the Company provides that the Executive Board shall meet when necessary and shall be chaired by the Chairman of the Executive Board.

Interested Party Transactions

The Federal Law on Joint Stock Companies contains requirements for transactions with "interested parties". The definition of an "interested party" includes members of the board of directors, officers of a company and any person who owns, together with any affiliates, at least 20% of a company's voting shares if that person, or any of that person's relatives or affiliates is:

- a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;
- the owner of at least 20% of the issued voting shares of a legal entity that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;
- a member of the board of directors or an officer of a company that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; or
- able to direct the actions of the company.

The Federal Law on Joint Stock Companies requires that a transaction with an interested party by a company with more than 1,000 shareholders be approved by a majority vote of the "independent directors" (as defined in the legislation) of the company who are not "interested parties" in the transaction. For companies with 1,000 or less shareholders, a transaction with an interested party must be approved by a majority vote of the directors who are not "interested parties" in the transaction, if the number of these directors is sufficient to constitute a quorum.

The decision of the majority of shareholders who are not "interested parties" in the transaction is also required if:

- the value of such transaction is 2% or more of the balance sheet value of the company's assets;
- the transaction involves the issuance of voting shares or securities convertible into voting shares in an amount exceeding 2% of the company's existing voting shares; or
- all the members of the board of directors of the company are interested parties.

Major Transactions

The Federal Law on Joint Stock Companies contains requirement for approval of “major transactions”. The definition of a "major transaction" is a transaction, or series of transactions, involving the acquisition or disposition, or a possibility of disposition, of 25% or more of the balance sheet value of the assets of a company, with the exception of transactions completed in the normal course of business or a transaction, or series of transactions, involving the placement of common shares, or securities convertible into common shares, comprising more than 25% of previously placed common shares. Major transactions involving assets ranging from 25% to 50% of the balance sheet value of the assets of a company require unanimous approval by all the members of the board of directors or a simple majority vote of a shareholders meeting. Major transactions involving assets in excess of 50% of the balance sheet value of the assets of a company require a three-quarters majority vote of a shareholders meeting.

General Meetings of Shareholders

Procedure

The powers of the shareholders, acting through a shareholders meeting, are set forth in the Federal Law on Joint Stock Companies and in the Company's charter. A shareholders meeting may not decide issues that are not included among its competencies in the Federal Law on Joint Stock Companies and the Company's charter. Among issues that the shareholders have the exclusive power to decide are:

- amendments to the charter;
- initiation of reorganization or liquidation;
- election of members of the board of directors;
- determination of the number, nominal value and type of authorized shares and the rights granted by such shares;
- changes in the Company's charter capital;
- approval of "interested party transactions," and "major transactions" as discussed above;
- distribution of profits; and
- redemption by the Company of issued shares.

Voting at a shareholders meeting is generally based on the principle of one vote per ordinary share, with the exception of the election of the board of directors, which is done through cumulative voting. Decisions are generally passed by a majority vote of the voting shares present at a shareholders meeting. However, Russian law requires a three-quarters majority vote of the voting shares present at a shareholders meeting to approve the following:

- amendments to the charter;
- reorganization or liquidation;
- "major transactions" involving assets in excess of 50% of the balance sheet value of the assets of a company and, if unanimous approval by the board of directors has not been obtained, "major transactions" involving assets in excess of 25% of the balance sheet value of the assets of a company;
- determination of the maximum amount, nominal value, and type of authorized shares and the rights granted by such shares;
- redemption by the company of issued shares; or
- any issuance of shares or securities convertible into shares by closed subscription or issuance by open subscription of ordinary shares or securities convertible into ordinary shares constituting more than 25% of the number of issued ordinary shares.

The quorum requirement for the Company's shareholders meeting is met if more than 50% of the holders of issued voting shares are present in person or through an authorized representative. If the 50% quorum requirement is not met, the quorum requirement is satisfied if at least 30% of the holders of issued voting shares are present at a duly reconvened meeting in person or through an authorized representative.

The annual shareholders meeting must be convened by the board of directors between March 1 and June 30 of each year and the agenda must include the following items:

- determination of the number and election of the members of the board of directors;
- approval of the annual report, balance sheet and profit and loss statement;
- approval of any distribution of profits;
- approval of an independent auditor; and
- approval of an internal audit commission.

A shareholder or group of shareholders owning in aggregate at least 2% of the issued voting shares may introduce up to two proposals for the agenda of the annual shareholders meeting and may nominate candidates for the board of directors and the internal audit commission.

Extraordinary shareholders meetings may be called by the board of directors on its own initiative or at the request of the internal audit commission, the independent auditor or a shareholder or group of shareholders owning in the aggregate at least 10% of the issued voting shares as of the date of the request.

A general meeting of shareholders may be held in person or by absentee ballot. The former contemplates the adoption of resolutions by the general meeting of shareholders through the personal attendance of the shareholders and their authorized representatives for the purpose of discussing and voting on issues on the agenda. The absentee ballot contemplates the determination of shareholders' opinions on issues on the agenda by means of a written poll.

The following issues cannot be decided by absentee ballot:

- election of directors;
- election of the audit commission;
- approval of a company's independent auditor; and
- approval of the annual report, balance sheet, profit and loss statement and any distribution of profits.

Notice and Participation

All shareholders entitled to participate in a given general shareholders meeting must be notified of that meeting, whether the meeting is to be held in person or by absentee ballot, no less than 20 days prior to the date of the meeting. However, if reorganization is an agenda item, shareholders must be notified at least 30 days prior to the date of the meeting and, if it is an extraordinary shareholders meeting to elect the board of directors by cumulative vote, shareholders must be notified at least 50 days prior to the date of the meeting. The list of shareholders entitled to participate in a general shareholders meeting is to be compiled on the basis of data in the Company's register of shareholders on the date established by the board of directors.

The date established for the compilation of the list of shareholders entitled to participate in a general shareholders meeting may not be earlier than the date of adoption of the resolution to hold a general shareholders meeting and not later than 50 days before the date of the meeting or, in the case of a shareholders meeting to elect the board of directors by cumulative vote, not later than 65 days before the date of the meeting.

The right to participate in a general meeting of shareholders may be exercised by a shareholder as follows:

- by personally participating in the discussion of agenda items and voting thereon;

- by sending an authorized representative to participate in the discussion of agenda items and to vote thereon:
- by absentee ballot; or
- by delegating the right of absentee ballot to an authorized representative.

Registration and Transfer of Shares

All of the Company's shares are common registered shares. Russian legislation requires that a joint stock company maintain a register of its shareholders. Prior to 12 March 2002, the Company operated and maintained its own register of shareholders itself. Since 12 March 2002, ZAO IRKOL, a specialized registrar, has been operating and maintaining such register.

The purchase, sale or other transfer of shares is accomplished through registration in the share register or registration with a depositary if shares are held by a depositary. The registrar or depositary may not require any documents in addition to those required by Russian legislation. Any refusal to register the shares in the name of the transferee or, upon request of the beneficial holder, in the name of a nominee holder, is void and may be disputed.

Reserve Fund

Russian legislation requires that each joint stock company establish a reserve fund to be used only to cover such company's losses, redeem such company's bonds and redeem such company's shares in cases where other funds are not available. The Company's charter provides for a reserve fund of 15% of its charter capital, funded through mandatory annual transfers of at least 5% of the net profits of the Company until the reserve fund has reached the 15% requirement. No distributable profits were available prior to the financial period ending on 31 December 2001 and the profits for that period have not yet been distributed. When they are, 5% will need to be allocated to the reserve fund.

Exchange Controls

Capital import and export restrictions

Pursuant to the Federal Law on Currency Regulation and Currency Control and regulations of the Central Bank, certain payments in foreign currency, including the following, can only be made with the prior permission of the Russian Central Bank:

- direct investments, except in the charter capital of a company;
- portfolio investments;
- certain types of secured financing;
- receipt of payment of a loan through the issuance, placement or redemption of securities; and
- payments for export-import transactions with a settlement period in excess of 90 days from completion.

Additionally, Russian companies must repatriate 100% of offshore foreign currency earnings to Russia and convert 50% of those earnings into rubles with seven days from the date on which they were received. This requirement further increases balances in the Company's ruble-denominated accounts and, consequently, the Company's exposure to devaluation risk.

The Federal Law on Foreign Investments in the Russian Federation specifically guarantees foreign investors the right to repatriate their earnings from Russian investments. Pursuant to the Federal Law on Currency Regulation and Currency Control, remittance of dividends from the Russian Federation can be made without any restrictions. However, the Russian exchange control regime may materially affect an investor's ability to do so.

There are two methods of repatriating dividends overseas:

- the Company buys foreign currency in the Russian foreign currency markets pursuant to the provisions of the directive of the Central Bank of the Russian Federation Nr. 383-Ó dated October, 20, 1998 and deposits it on its special transit foreign currency account. The Company has 7 days to instruct the account bank to transfer the dividend to the foreign investor, failing which the account bank is obliged by law to reconvert the foreign currency into rubles;
- a foreign investor opens (i) a “K” Type ruble account pursuant to the Central Bank Instruction Nr. 93-I on the Procedure for Opening Bank Accounts for Non-Residents in Russian currency, and (ii) a foreign currency account, both with an authorized Russian bank. The Company remits the dividends in rubles to the “K” Type account. A foreign investor is entitled to transfer money from the “K” Type account to buy foreign currency on the Russian foreign currency markets, with the foreign currency purchased being deposited on the investor's foreign currency account. The sum in foreign currency can then be remitted overseas from this account.

The ability of the investors to convert rubles into dollars is subject to the availability of dollars in Russia's currency markets. Although there is an existing market within Russia for the conversion of rubles into dollars, including the interbank currency exchange and over-the-counter and currency futures markets, the further development of this market is uncertain. At present, there is no market for the conversion of rubles into foreign currencies outside of Russia and no viable market in which to hedge ruble-currency and ruble-denominated investments.

SETTLEMENT, CLEARING AND TRADING

Prior to this offering, there has been no public market for the Company's ordinary shares. The initial public offering price for the shares will be determined during a two week information disclosure period ending immediately prior to the start of the initial public offering. During this period, Aton Capital Group, in its capacity as lead manager of the offering, will interact with market participants, tendering ordinary shares on a purely tentative basis with the objective of measuring demand for the shares at a given price. Offers or statements of interest will not be confirmed by deposits or reservations of funds. Tentative purchase offers for the ordinary shares will be used purely as a market research tool to calculate a clearing price at which all ordinary shares of the offering will be sold. This clearing price will be the issue price of the offering, which will be given in rubles to 1/100th of one share.

Current shareholders, according to Russian Federation law, will have a priority right to purchase the offered shares. On the first day of the offering, current shareholders will be afforded this opportunity to purchase such shares at the predetermined offer price.

The lead manager will accept advance bids by fax on the second day of the offering. All advance bids made by investors will include the offering price and number of shares the investor is offering to purchase. The lead manager will assign each bid received a bid number and a client number, which will be reported back to each bidder at the end of the second day of the offering. These advance bids will be given priority to purchase shares on the third day, during the online trading phase.

According to securities legislation in the Russian Federation, no preference may be given to any investors making bids to purchase securities on the same day of an initial public offering. To this end, the lead manager compiles all bids made on the day in question and, if the aggregate number of shares investors have offered to purchase is greater than the number of shares available for sale on that day (16 million less those purchased by current shareholders), then each advance bid will be partially accepted in equal proportion to the total number of shares available for sale divided by the total number of shares investors have offered to purchase. If the number of shares investors have offered to purchase in the advance bids is less than the number of shares offered for sale, then all bids will be accepted.

All accepted bids, either partially or in full, will be given priority status for trading and settlement on the third and final day of the offering. Between 11 am and 2 pm Moscow time of the third day, investors must also confirm volume, price, their advance bid number and client number (issued to them at the end of the second day). If the investors fail to deposit funds and confirm their orders, they will lose priority status and those shares will be made available for public trading.

Prior to the beginning of the issue, stock exchange participants, regardless of whether they are representing clients or trading on their own account, must reserve sufficient funds in their trading accounts at the clearinghouses of each stock exchange to fully cover any offers to purchase or advance bids (including commissions) that they have made or will make during the issue process.

Online public trading commences at 11 a.m. Moscow time on the third day of the initial public offering. Those shares not purchased during the advanced bidding phase will be sold on MICEX and RTS at the predetermined offering price on a first come, first served basis.

TAXATION

General Remarks

Russian tax legislation applies different rules to Russian and non-Russian legal entities as well as to resident individuals (i.e. individuals who are present in the Russian Federation for a term of 183 days or more in a calendar year) and non-resident individuals. The business activity of a permanent establishment of a foreign legal entity in the Russian Federation is taxable under Russian law as a Russian legal entity.

Taxation of Dividends arising from the Shares

Legal entities

Profit tax is payable on dividends arising from the shares received by legal entities. The rate of tax payable is 6% for Russian legal entities and 15% for non-Russian legal entities.

RBC is obliged to act as a tax agent and withhold an amount on account of tax from the dividend paid to the recipient and to pay the amounts withheld on account of tax to the budget.

Regarding the calculation of the taxable basis:

- To determine the amount to be withheld on account of tax for Russian legal entities, RBC must calculate the total amount of the dividend to be paid (the "Total") and deduct from the Total the amount of the dividend that is to be paid to non-Russian shareholders. RBC must also deduct the amount of any dividends RBC has received from its subsidiaries. The amount remaining after these deductions is the "Sub-Total". If the Sub-Total is zero (or a negative number), no withholding on account of tax will be made by RBC when paying the dividend. If the Sub-Total is a positive figure, RBC is obliged, for any particular Russian shareholder, to withhold on account of tax the amount equal to 6 % of the Sub-Total attributable pro rata to his shares.
- The amount to be withheld on account of tax for non-Russian legal entities must be calculated on the basis of the amount of the dividend. A non-Russian legal entity may be the beneficiary of relief from double taxation if it is tax resident in a state that has entered into an international treaty for the relief of double taxation with the Russian Federation. The treaty must be in force and apply to dividends. Subject to compliance with the terms of such treaty, the relevant shareholder may be entitled to receive dividends from RBC with reduced amounts, or no amounts, withheld on account of tax.

Individuals

Personal income tax is payable on dividends arising from the shares received by individuals. The rate of tax payable is 6% for residents and 30% for non-residents.

RBC must act as tax agent in the same manner as detailed above under "Legal Entities".

A non-Russian individual may be a beneficiary of relief from double taxation if he is a tax resident in a state which has entered into an international treaty for the relief of double taxation with the Russian Federation (for more details see "Legal Entities" above).

Taxation of the Proceeds of Sale of the Shares

Legal entities

Profit tax at the rate of 24% is payable on the profit made from a sale of shares by Russian legal entities. In brief, "profit" is determined as the difference between the amounts received from a sale of shares minus the acquisition costs of the shares and any expenses relating to the acquisition, sale and custody of shares. However, Russian tax law contains detailed provisions on the calculation of "profit", which also has to be calculated separately from operating profits of the relevant legal entity. Losses from transactions with shares may be carried forward within the limits provided by Russian law.

As the profit from the sale of shares is taxed as part of the overall profit of the Russian legal entity that was the shareholder, that legal entity is obliged to account for the profit tax in accordance with the same procedures (including the making of monthly or quarterly advance payments) as apply to the profit tax on its operating profits.

In light of the nature of RBC's business and assets, no tax will be payable on any income or profits arising from a sale of shares by a non-Russian legal entity.

Individuals

Personal income tax at the rate of 13% (for residents) or of 30% (for non-residents) is payable on the income which the individual receives from each sale of shares. Income is defined as the amounts received from the sale of the shares minus the acquisition costs of the shares and any expenses relating to the acquisition, sale and custody of shares. Losses from transactions with shares (and other securities) may be deducted on the conditions and within the limits provided by law. In absence of documentary evidence of expenses, an individual shall be entitled to apply a tax deduction to the amount received from sale of shares. This deduction may not exceed RUR125,000 and can only be applied if no more than 3 years have been passed since the acquisition of the relevant shares.

If the income from the sale of shares is paid by a tax agent (in particular, a Russian legal entity or a permanent establishment of a foreign legal entity), calculation and payment of the tax shall be made by such tax agent either at the end of a tax period (a calendar year) or, if the payment is made prior to the expiry of a regular tax period, at the time of payment. In relation to payments prior to the expiry of a regular tax period, Russian law provides special regulations for the calculation of the taxable income. If a tax agent has not paid the tax or if such tax agent has not withheld and paid the tax to the budget, the individual himself has to calculate and pay the tax.

A non-Russian individual may be a beneficiary of relief from double taxation if he is a tax resident in a state which has entered into an international treaty for the relief of double taxation with the Russian Federation (for more details please see "Legal Entities" above.)

PLAN OF DISTRIBUTION

The lead managers Aton Capital Group and Alfa Bank have undertaken to place the ordinary shares being offered hereby on a best efforts basis. They propose initially to offer the shares directly to the public at the public offering price determined on the date of the offering and to members of a selling group consisting of $? at such price less a concession not to exceed $? per share. After the initial public offering of the shares, the lead managers may change the offering price and other selling terms from time to time.

GLOSSARY

CIS	the Commonwealth of Independent States
Company or RBC	OAO RBC Information Systems or, as the context may require, OAO RBC Information Systems and its subsidiaries collectively.
hits	a single, one-time view of a www site.
IAS	International Accounting Standards
IT business	the Company's business related to information technology products and services.
Media business	the Company's business of providing financial content websites, news subscriptions, general news and other online content, as well as its advertising business related to these websites.
Notes	the loan notes of aggregate principal amount $5,000,000 issued by RBC Investments (Cyprus) Limited on 17 December 2001 and convertible into shares of the Company on specific terms and conditions.
Portal	the entire content of one of the Company's websites
RUR or ruble	the lawful currency of the Russian Federation
$ or dollars	the lawful currency of the United States of America