

**2012 ANNUAL REPORT**  
**RBC OJSC**

**Moscow 2013**

## **RBC OJSC**

### **Annual report - 2012**

Preliminary approval by the Board of Directors  
Minutes No.58 dated May 24, 2013

#### **CEO**

Sergey Lavrukhin

#### **Chief Accountant**

Svetlana Vasilyeva

*RBC parent company shall hereinafter be referred to as RBC OJSC, and RBC Group shall be referred to as "Company," "RBC," or "the Holding."*

#### **Disclaimer regarding forward-looking statements**

Some of the information in this annual report may contain forecasts and other forward-looking statements. These expectations are based on current views and assumptions of the Company's management, and may involve risks and uncertainties. It is possible for the company's actual results and financial condition to differ materially from the anticipated results and financial condition indicated in this report. For a discussion of some of the risks and important factors that could affect the company's future results, see the Risk Management section of the report. RBC shall assume no obligation to update any forward-looking information contained in this document.

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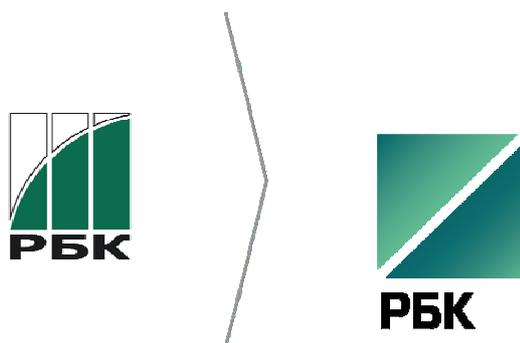
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## RBC under the sign of change

### **RBC deployed a large-scale rebranding effort for its core media assets as the Company prepares to celebrate its 20<sup>th</sup> anniversary**

The upcoming transformations are aimed at bolstering RBC's reputation as the number one business information media on the back of a rapidly changing media environment. In view of rising interest in news and analytical content, as well as the need to meet audience aspirations for media content delivery and content formats, RBC does not intend to rest on its laurels.

#### ***New brand opens new horizons***



RBC strives to make its media resources more vibrant and better-tailored to their target audience, and also to serve the Russian business community better. RBC's new strategy is now not just about disseminating information on changes, inspiring development and innovation, but also about streamlining its own operations.

*"The demand for high-quality business information is growing by the day. We have launched a massive renovation effort in order to stay abreast of these aspirations. Our rebranding initiative is focused on connecting with our audience, business-minded people searching for new business growth opportunities and innovative approaches," RBC CEO Sergey Lavrukhin said.*

## RBC today

RBC is one of Russia's largest media companies operating in three key media segments: Internet, television, and print media. The Company is the only Russian media with a footprint in all key content segments, which cover 80% of the country's media industry. RBC provides extensive coverage of news and business information through its key online resources, and also offers communication tools and additional services online and on mobile platforms. The total audience of RBC's resources exceeds 85m people.<sup>1</sup>

### ***20 years of success in the Russian media industry***

- ▲ RBC is Russia's number one business information media.
- ▲ Rbc.ru is the largest online content resource on the Russia Internet focused on news coverage and financial and economic information.
- RBC channel is the first and only business TV channel in Russia.
- *RBC* magazine is the most popular business magazine in Moscow. *RBC daily* newspaper is the second most popular business newspaper in Moscow.
- RBC is unrivaled in the domain name registration and hosting segments.

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<sup>1</sup> Company data.

## Address to shareholders by RBC CEO

Dear shareholders,

In April 2012, I became RBC CEO. The key target for me after the appointment was the formation of the company's top-management team. I am glad to highlight that the task was accomplished successfully and today RBC is a team of professionals with huge experience in the media industry and capable of executing the most ambitious projects.

For less than a year together we managed to achieve high results. The Company acquired and merged into its structure Regional Network Information Center CJSC (RU-CENTER), launched Rbc.ru's regional expansion, devised an action plan for improving the positioning of its online resources, and completed the modernization of RBC television channel. The new management team streamlined business processes and corporate structure in order to make RBC more transparent and appealing for the business community. All in all, the year 2012 laid the groundwork for the Company's qualitative growth in the coming years.

These developments helped RBC consolidate its footprint in the Russian media industry. RBC is unrivaled in the news and business content Internet segment, RBC channel is the only successful business channel in Russia, Hosting Community is the largest player on the Russian domain name registration and hosting market, and RBC's print titles command leadership in the print media segment.

Going forward in 2013, when RBC will celebrate its 20<sup>th</sup> anniversary, we intend to deploy a large-scale overhaul of our business online resources and mobile applications in line with market trends and RBC rebranding program, as well as to launch new projects, which will enable RBC to further diversify its revenue and client base. The Company also intends to expand RBC television channel's programming grid and distribution, and the channel is expected to reach a near-breakeven point in terms of EBITDA. Overall, the key objectives for RBC's management in 2013 will be to increase the share of services in its revenue and boost profitability.

Yours faithfully,

Sergey Lavrukhin

CEO of RBC OJSC

## Address to shareholders by the Chairman of RBC's Board of Directors

Dear shareholders,

In November 2012 I joined RBC as the Chairman of the Board, so I am pleased and honored to give my first address to the shareholders.

2012 was a year of transition for RBC. It was the first year of operations under the new management, led by CEO Sergey Lavrukhin. In the reporting period RBC strengthened its position as the undisputed leader in the business information segment. The Company successfully integrated RU-CENTER and now it is the clear market leader in web registration and hosting on the Russian market. However the Company's financial results could have been much better if it were not for unfavorable advertising market trends which prevailed in the second half of the year.

The management focused in 2012 on operational excellence. In line with the strategic plan, RBC concentrated on development of its key assets: digital, television, and domain and hosting segment. Several smaller, non strategic projects were either sold off or closed. As a result, RBC now has a clear portfolio with the RBC brand at its center.

The RBC Board recognizes that in terms of operational processes and cost efficiency, there is still room for improvement. In 2012 several steps in the right direction were taken, including the reorganization of a number of departments, and further upgrade of the Company's technical & IT infrastructure. More is to be done in 2013.

The media world is changing as we speak. Changes are mostly driven by technological innovation, which are impossible to predict. Who would have thought that 'mobile' would take over from 'digital' with such speed? Who could predict the impact of the iPad? Media companies need to be flexible, attract the best talent in the business, be innovative and be fast. RBC has the huge advantage of being a strong and well recognized brand on the Russian market, and I have full confidence that RBC can rise to this challenge and continue on its path as the leading multimedia company in Russia.

Yours faithfully,

Derk Sauer,

President and Chairman of the Board of Directors of RBC OJSC

## Calendar of events in 2012

### March

- RBC acquires a stake in KuponGid, one of the largest coupon aggregators on the Russian Internet market ([www.kupongid.ru](http://www.kupongid.ru));
- RBC enters into an agreement with Mostelecom on expanding RBC channel's technical penetration in Moscow;

### April

- RBC Board of Directors appoints Sergey Lavrukhin as the Company's new CEO;

### May

- RBC channel launches a remote TV studio in Ararat Park Hyatt hotel in Moscow;

### June

- RBC successfully places additional ordinary shares of RBC OJSC on the Moscow Exchange;
- RBC finalizes a deal to acquire domain name registrar and hosting provider RU-CENTER;

### July

- RBC launches a remote TV studio at the Moscow International Business Center;

### November

- Derk Sauer joins RBC team as President, and Elena Myasnikova as Vice President;
- RU-CENTER wins the National Award for the Development of the Russian-speaking segment of the Internet in the "Innovations and Technology" category;
- RBC embarks on a regional expansion effort by launching a regional version of the Rbc.ru business portal in St. Petersburg;
- RBC channel wins a runner-up Comnews award in the category "Non-terrestrial channel with the largest annual audience";

### December

- RBC launches a new version of RBC.Style project ([Style.rbc.ru](http://Style.rbc.ru)).

## Chapter 1. About the Company

### 1.1 Company history

The Company was founded in 1993 as an information agency specializing in financial and economic news on the Russian market. A few years later, the Company managed to achieve leadership on the country's business news market. In 1995 RBC was the first news agency to launch its own internet portal, Rbc.ru, which quickly became one of Russia's primary sources for business news. In 2003, the Company implemented one of its largest media projects by launching RBC channel, Russia's first business television channel. In 2006, RBC expanded its portfolio of niche media products and entered the print media segment. In just a year, both *RBC* magazine and *RBC daily* newspaper gained an audience comparable to that of the market's leaders. Building on the excellent performance of its media resources, RBC expanded into the interior design niche by purchasing Salon Press, the top publishing house in the segment. In 2007, RBC spun off its IT business and began to develop non-business online resources.

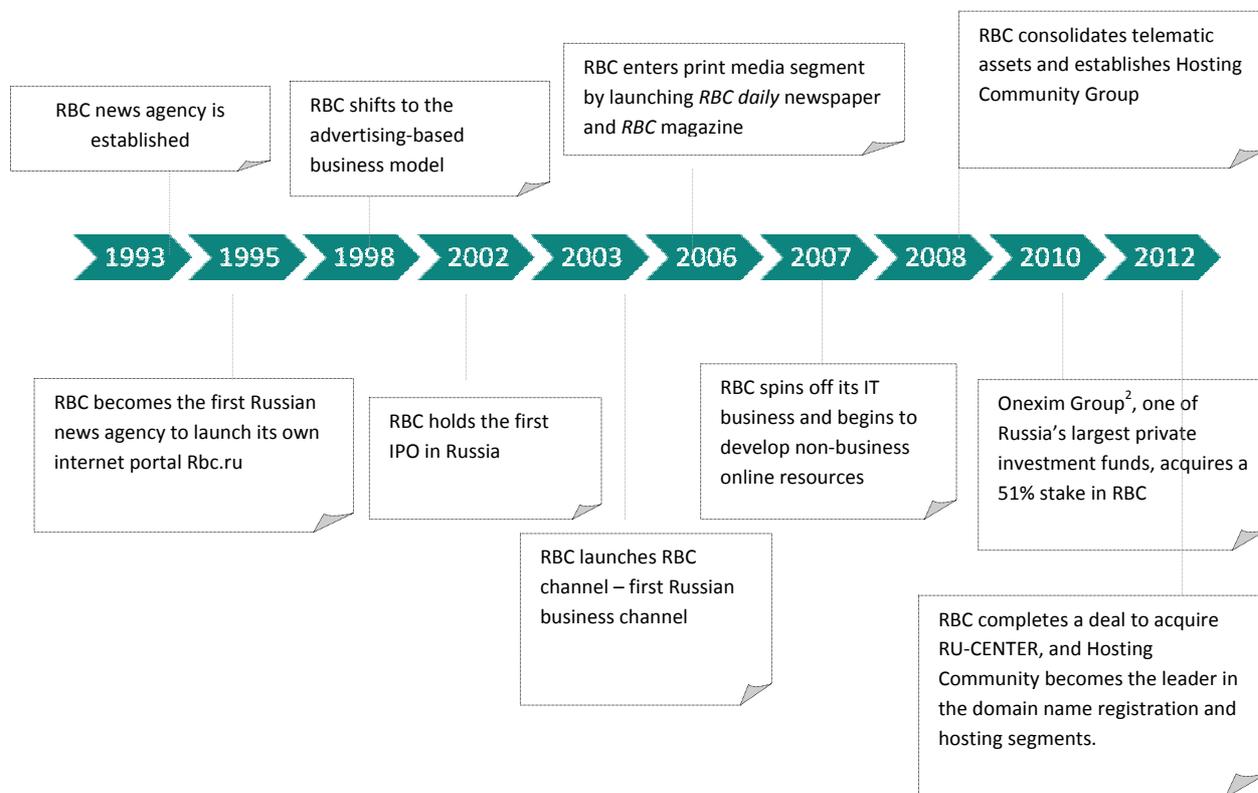
In 2008, RBC consolidated its domain name registration and hosting businesses by establishing Hosting Community group. In 2012, RBC acquired RU-CENTER, Russia's largest domain name registrar and a leading hosting provider, which was folded into Hosting Community as its sixth unit. Leveraging its high service quality, a wide and loyal customer base, and efficient asset management, Hosting Community became a leading player on the Russian domain name and hosting market in 2012.

High recognition of RBC brand along with the Company's extensive experience in delivering efficient advertising campaigns in collaboration with other media has facilitated the development of RBC's marketing communications business. In this area, RBC holds international business conferences and organizes high-profile national awards, such as Company of the Year, Person of the Year, Financial Olympus, Marka №1 in Russia, and EFFIE Russia.

RBC has recently been increasingly involved in the mobile internet segment, launched mobile versions of its online resources, and developed applications for the key operating systems. All of RBC core media projects are currently available through dedicated mobile applications, which have gained popularity among consumers.

Over the 20 years since its inception, the Company has managed to craft high-quality content and won confidence from tens of millions of people in Russia and the CIS. RBC was the first to diversify its media channels, enabling consumers to receive information in the most convenient manner.

## RBC development milestones



<sup>2</sup> Onexim Group represented by Pragla Limited

## 1.2 Areas of business

### RBC's online resources

RBC is one of the largest players in the Russian Internet. Its average monthly audience in Russia exceeds 18.6m people, and average monthly Russian-speaking audience numbers 67.8m people<sup>3</sup>.

RBC's online assets are divided into two main groups, the first being focused on business resources and services, and the second targeting the mass market. Specifically, Rbc.ru portal is the leading source of business and financial information on the Russian internet. Apart from the main portal, such resources as the website of *RBC daily* business newspaper (Rbcdaily.ru), financial information portal Quote.rbc.ru, hi-tech news website Cnews.ru, automotive news website Autonews.ru, and online lifestyle outlet Style.rbc.ru also enjoy a high degree of demand and popularity among the business audience.

Along with the wide range of business web resources, RBC is also the owner of a number of entertainment online resources. For instance, RBC's portfolio includes Loveplanet.ru, one of the largest dating websites on the Russian internet, Smotri.com video sharing website, QIP instant messenger, and Qip.ru entertainment portal.

[Rbc.ru](http://Rbc.ru) is the number one content-driven resource in Russia. Rbc.ru offers its users newsfeeds, economic, financial, political, and analytic reports, comments, and forecasts, as well as real-time data on all financial segments, broadcasts of press events and interviews with high-profile Russian business and political leaders. A maximum volume of powerful analytical information enables users to instantly track any developments on key commodity and stock markets.

[Rbcdaily.ru](http://Rbcdaily.ru) is a daily online business newspaper targeting business audience. It focuses on analyzing developments in various segments of the Russian economy and operations of the leading corporations, and also provides coverage of key global economic news.

[Quote.rbc.ru](http://Quote.rbc.ru) is the leading portal on finance and stock trading, which offers extensive coverage of investment-related news, including newsfeeds of analyst comments and stock market news, forecasts for equities, commodity prices and forex rates, an issuer database, stock quotes, analyst reports by investment companies, and also graphic data and stock market terminals.

*RBC.Style* ([Style.rbc.ru](http://Style.rbc.ru)) offers its readers exclusive coverage of key developments in the fashion industry, luxury segments, and the lifestyle of Russian and global celebrities.

*RBC.Real Estate* ([Realty.rbc.ru](http://Realty.rbc.ru)) is a media platform offering an up-to-date database of offers from leading real estate agencies and construction companies, a newsfeed on the Russian and foreign real estate industries, feature stories and expert comments, research papers and ratings. The portal partners with the largest real estate agencies and consulting companies.

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<sup>3</sup> Based on TNS data for 2012

*RBC.Personal Finance* ([Lf.rbc.ru](http://Lf.rbc.ru)) focuses on private investments, deposits, mortgage, car loans and retail lending. Services offered on the portal include a database of deposits and loans with a search function, calculating deposit yields and lending costs. Users can also browse through bank ratings and catalogues, user reviews, expert advice and interviews, recommendations, and analytics.

*RBC.Sport* ([Sport.rbc.ru](http://Sport.rbc.ru)) is a sports online outlet covering the latest sports news and results, and featuring exclusive interviews, expert comments, and online broadcasts of the top sporting events.

*Autonews.ru* provides independent, high-quality and real time information on cars and the automobile market. The website features test drives and model descriptions, extensive coverage of auto news, feature stories, interviews, user reviews, buy and sell ads for new and used cars, and a constantly updated car catalog.

*Cnews.ru* is an online resource on high technology, state-of-the-art software and hardware solutions, and the Russian and global e-business. It is the largest media outlet on high technology in Russia focused on providing extensive and near real-time information on the hi-tech segment.

*Turist.rbc.ru* is an online portal on travel destinations.

*RBC.Rating* ([Rating.rbc.ru](http://Rating.rbc.ru)) focuses on ratings and ranking of companies, financial institutions, and markets in Russia and abroad.

*BizTorg* ([Biztorg.ru](http://Biztorg.ru)) is an online platform for buying and selling businesses.

*RBC.Market Research* ([Marketing.rbc.ru](http://Marketing.rbc.ru)) is Russia's largest boutique of ready-to-use marketing research. The website features research reports on various industries, business plans, databases, free research, and themed news.

*RBC.Seminars* ([Seminar.rbc.ru](http://Seminar.rbc.ru)) is an online catalog of short-term business education opportunities. The project partners with leading Russian learning and training companies. Over 600 seminars and training events are featured on the website daily.

*Loveplanet.ru* is the second-largest dating outlet on the Russian internet. It brings together cutting-edge dating solutions and communication tools and targets a wide user audience.

*Smotri.com* offers free video uploads, storage, and viewing. The portal also offers a unique opportunity to hold online broadcasts, which enables users to create their own broadcasting channels.

*Qip.ru* is an information and entertainment portal on the Russian internet. It offers special services for various audience groups, as well as a popular instant messenger QIP.

*Kupongid.ru* is one of the largest discount coupon aggregators in Russian and Ukraine. RBC holds a 53% stake in the project.

*Tvidi.ru* is an online portal for children and teenagers. RBC owns a 51% stake in the venture

*Magna Advertise* ([Magna.ru](http://Magna.ru)) is a context advertising service for RBC resources, major news portals, and business resources.

VideoLink ([Video-link.ru](http://Video-link.ru)) is a video advertising service offering a comprehensive approach to carrying out online advertising campaigns.

## **Domains and hosting**

RBC's companies in the domain name registration and hosting segments operate as part of Hosting Community Group. Hosting Community is currently comprised of six companies: RU-CENTER and R01 registrars, hosting companies Hosting Center, SpaceWeb, and Peterhost, as well as Garant-Park-Telecom telecommunications company. After having acquired RU-CENTER in 2012, Hosting Community Group became the unrivaled leader in the domain name registration and hosting segments. As of May 2013, the share of domain registration market in national zones .RU, .PФ and .SU was as follows: more than 47%, 53% and 64% respectively. In the hosting segment the company's market share ranges from 27% to 31% (not taking into account foreign hosting companies and small web studios that offer site placement services using proprietary equipment). Apart from its core services, companies of the Hosting Community group offer server hosting and placement services, SSL certificates, and other additional services. Over one million clients use Hosting Community's services.

Companies of Hosting Community Group offer domain name registration services and support worldwide. In addition, registrars offer a full range of value-added services related to domain names: secondary market, legal support in transactions, dispute resolution, domain parking and other services. Both registrars have accreditation of the international corporation ICANN, which testifies to their compliance with the highest international quality standards.

Hosting is a placement service for sites, program applications and other information. The placement is done on provider's equipment. Hosters ensure flawless work of equipment, 24/7 access to the information, and data protection. Group companies offer all types of hosting services available on the market.

Collocation and dedicated hosting services are provided by Hosting Center, Garant-Park-Telecom, SpaceWeb, as well as by the P8 division of the PeterHost hosting provider. In 2010, Hosting Community launched its own data center, which has become the holding's pivotal hardware platform.

Companies of Hosting Community Group offer SSL certificates issued by the major international certification authorities (Thawte and Comodo). In addition, Hosting Center is the only company on the Russian market which offers various proprietary certificates. Secure Socket Layer (SSL) technology makes it possible to secure encrypted data transmission, as well as accurately determine whether the connection with the requested website has been established. This technology is crucial for all systems working with financial and personal data.

Companies of Hosting Community Group also offer value-added services. The Website Constructor tool enables clients without any special qualifications to create websites, which are optimized for search engines. The goMobi tool leverages the ability to create mobile versions of websites.

#### Companies

*Hosting Center* ([Hc.ru](http://Hc.ru)) is one of the largest hosting providers in Russia, operating on the market since 2002. The company's geographical footprint encompasses most Russian cities, as well as FSU and non-FSU states. The company offers all types of hosting. In Ukraine, the company operates through its subsidiary, Hosting Center Ukraine ([Hc.ua](http://Hc.ua)), which has been offering hosting and domain registration services since 2005 and currently is among top-5 largest companies in the segment.

*Garant-Park-Telecom* ([Gpt.ru](http://Gpt.ru)) was established in 1999 and currently provides communication through dedicated fiber-optic links and IP-telephony services to corporate customers. The company's network numbers several dozen nodes interconnected by fiber optic. The aggregate capacity of external channels is 40 Gbps.

*R01 Registrar* ([R01.ru](http://R01.ru)) is Russia's third-largest registrar in terms of the number of supported domain names (more than 800,000). The company operates a proprietary multifunction domain registration and maintenance system based on unique software solutions. It also owns Registrar R01 LLP in Kazakhstan, which offers domain registration services in national zones. The company has the ICANN accreditation.

*SpaceWeb* ([Sweb.ru](http://Sweb.ru)) has been providing hosting services since 2001. The company has over 80,000 loyal customers, among individuals, corporate clients, and public institutions. SpaceWeb is currently the second largest web hosting provider in Russia.

*RU-CENTER* ([Nic.ru](http://Nic.ru)) is Russia's largest domain name registrar and one of the leading web hosting providers on the domestic market. RU-CENTER has been providing domain registration services for more than a decade, and currently services over 2m domain names. The company has more than 500,000 customers and more than 7,000 partners across 68 countries. It also has more than 3,000 information partners, which promote the services rendered in exchange for a sales fee. RU-CENTER runs scientific, educational and social projects and contributes to the development of Internet technology. The company has accreditation of the ICANN international corporation, as well as has an international management quality certificate ISO 9001.

*PeterHost* ([Peterhost.ru](http://Peterhost.ru)) was established in 2000 and was initially focused on providing virtual hosting services. In addition, the company is successfully involved in the collocation and dedicated server leasing segment in the framework of the P8 project. The company's client base includes approximately 19,000 clients.

#### **RBC television channel**

RBC channel was launched in 2003. Today, RBC remains Russia's only business TV channel focusing on the coverage of economic and financial developments in Russia and worldwide, featuring

relevant comments, interviews and insightful analysis from both Russian and foreign experts, live on-the-spot reports, feature programs and industry reviews, as well as materials from international news agencies. Over 95% of RBC channel's content is created by RBC journalists and is focused on Russia, while the channel's information partners supply foreign market data.

RBC channel delivers its signal via cable, satellite, and over the Internet. The channel has proprietary TV stations in Rostov-on-Don and Novosibirsk. The signal is now available in all major Russian cities across the country, and the channel's penetration in Russia as a whole stands at 75m. In its key market – Moscow – the channel is broadcast in all districts, and is available in all major cities of the Moscow region. In addition, RBC is broadcast in the CIS and the Baltic States, Western Europe, North Africa, Middle East and Central Asia.

RBC broadcasts 24/7, offering a useful combination of analytical and news blocks. The channel focuses on news coverage from 7 am to 1 am Moscow time, and shifts to replays of news and analytical blocks from 1 am to 7 am.

The channel broadcasts from a hi-technology TV complex located in Moscow. RBC also operates two remote TV studios in Ararat Park Hyatt hotel and Moscow International Business Center (Moscow-City). Furthermore, the channel has a news bureau in New York (launched in March 2013), which provides live coverage from one of the world's financial centers.

The channel's monthly audience in Russia amounts 20.3m viewers<sup>4</sup>.

#### The channel's programming grid

*Breaking news* is a brief live roundup of Russian and global economic, financial, and political news. The program goes on the air every 30 minutes.

*Financial news* (previously called "Markets") is a program for private investors and market professional, financial and economic pundits, seeking to keep viewers abreast of the latest developments on Russian and foreign stock, forex, and commodity markets.

*Corporate news* keeps viewers updated on the key news stories from leading Russian and foreign companies, including financial reports, M&A deals, resolutions of board of directors and shareholder meetings, emergencies, and bankruptcies.

*Russian and foreign press review* consists of brief news blocks informing TV viewers of the most interesting publications by key Russian and foreign daily and weekly press titles.

*Business persona* features stories about successful entrepreneurs, their environment, business and personal qualities. By providing insight into business success stories, the program shares real-life business experience with its audience.

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<sup>4</sup> Based on TNS data for 2012

*Talk show hosted by Mikhail Alekseev.* Prominent financial expert and head of one of the largest foreign banks on the Russian market, Mikhail Alekseev discusses with his guests Russian and global financial news and trends. The show features such guests as representatives of the Russian Finance Ministry, Economic Development Ministry, the Central Bank of Russia, and heads of major banks.

*Capital* is a show by Sergey Lisovsky devoted to the non-financial sector of the Russian economy. Sergey Lisovsky offers insights into the Russian economy and domestic industry through the lens of Karl Marx's political economics.

*Business secrets with Oleg Tinkov* is a show hosted by successful Russian businessman and flamboyant multimillionaire Oleg Tinkov, who explores the Russian business climate with his guests.

### **RBC's print publications**

In the print media segment RBC offers business titles and interior design magazines. RBC's key business titles are *RBC daily* newspaper and *RBC* monthly magazine. Both titles were founded in 2006 on the back of rising demand among advertisers for RBC's resources targeting an affluent audience. The two publications quickly captured leadership positions in the business press segment. In another development in 2006, RBC acquired one of the largest publishing houses in the segment of Russian interior design publications, Salon-Press. The publishing house's key titles include *Idei Vashego Doma* and *Salon-interior*. RBC portfolio of print publications also includes *Nashi Dengi* and *Cnews* magazines.

*RBC daily newspaper* offers its readers a daily roundup of the latest Russian and foreign business news stories. The newspaper covers various segments of the Russian economy and corporate news stories. It is published in cooperation with the leading German business newspaper *Handelsblatt* five days a week. *RBC daily* is among top-3 business daily newspapers in Moscow with a print run of 80,000 copies.

*RBC magazine* is a monthly business magazine which brings together high-quality information and analytical material on various sectors of the Russian and global economy. The magazine covers all issues relevant to contemporary society, including politics, economics, business, technology, leisure, and entertainment. Every publication features exclusive rankings, business maps, and consumer expert surveys. Readers of *RBC* magazine are active business people seeking to stay abreast of the latest trends and developments in Russian and global business. *RBC* magazine is the most popular monthly business publication in Moscow and the second most popular business title in Russia with a print run of 145,000 copies.

*Cnews magazine* is a monthly title targeting heads of IT departments and high-technology experts. The magazine features sections on corporate software and hardware solutions, articles on challenges in the telecommunications industry, tests and guides for digital devices, and also comments by experts and representatives of leading Russian and foreign information and communications companies. The magazine is distributed among subscribers, as well as at industry conferences and

seminars sponsored by Cnews. The magazine has a print run of 35,000 copies and is published 6 or 7 times a year.

*Nashi Dengi magazine* is a monthly publication on personal finance targeting mainstream audience. The title covers a wide range of topics related to personal finance, from investing individual savings (mutual funds, real estate, banking products) to advice about retail lending, insurance, taxes, retirement savings, etc. The magazine is distributed in St. Petersburg and has a print run of 10,000 copies.

## **Marketing communications**

In this segment, RBC holds international business conferences, and organizes high-profile national awards, such as Company of the Year, Person of the Year, Financial Olympus, Marka №1 in Russia, and EFFIE Russia, and also holds business regattas.

“*Company of the Year*” ([Kompaniyagoda.ru](http://Kompaniyagoda.ru)) is a prestigious Russian business award intended to attract the attention of Russian and global business communities to companies operating on the Russian market, contribute to strengthening the Russian economy, and increasing the investment appeal of Russian companies. In 2004, the Company of the Year became an international award.

“*Person of the Year*” ([Personagoda.ru](http://Personagoda.ru)) is intended to highlight outstanding personalities serving social, political, or state causes in Russia, and promoting cohesion between the society, business community, and authorities.

“*Financial Olympus*” ([Finolymp.ru](http://Finolymp.ru)) is a professional award which highlights the accomplishments of companies and senior executives operating in the Russian financial industry. The award promotes greater transparency for the Russian financial market and the investment appeal of domestic financial institutions, and also the most successful financial structures and services, shaping professional financial community and public opinion, recognizing professional achievements.

“*EFFIE Russia*” ([Brandgoda.ru](http://Brandgoda.ru)) is a prestigious international award for brand creation and promotion. It entered the Russian market in 1998 and is currently the only award in the country licensed by the American Marketing Association (AMA) and recognized worldwide. The award highlights success across the spectrum from consumer goods to financial services and corporate image.

“*Marka №1 in Russia*” ([Narodnayamarka.ru](http://Narodnayamarka.ru)) is a national contest for branded products and services. Its key feature is that the winners are chosen by consumers through a popular vote, and not by a jury. Hundreds of thousands of votes are submitted every year during the competition. The award currently represents the most unbiased system for evaluating the success of brands on the Russian market.

RBC holds annual *international business conferences* to facilitate cooperation between Russian and foreign business communities. RBC’s conferences host prominent Russian and international business leaders, high-profile government officials, and public figures.

## 1.3 Business model

### Revenue

RBC generates the bulk of its revenue from the sale of advertising in its media resources on the Internet, television, and in printed publications. Advertising revenue accounts for approximately 70% of aggregate revenue. The rest is revenue from additional online services, dissemination of printed publications via the points of sale and subscription payment, as well as revenue from domain registration and hosting services. The Company has recently pursued a policy of cutting the share of advertising revenue by boosting revenues from additional online services and developing domain registration and hosting business. By doing so, RBC attempts to reduce the dependence of its quarterly revenue on seasonal fluctuations on the advertising market. The seasonal nature of the advertising market means low advertising activity in January, the first half of February and in the summer months and high activity in autumn and in the period ahead of New Year holidays. The seasonal declines are strongly pronounced for RBC, which focuses primarily on business audience.

The Company receives advertising revenue by placing advertisements on its own Internet websites – about 20 thematic resources, on television – RBC business channel, and in printed business publications. Therefore, the company has a presence in the three segments of the Russian advertising market, which enables it to attract a large number of advertisers and sell advertising packages. Advertising packages mean comprehensive advertising placement on several resources and/or in several segments.

The Company sells advertising through its own team of advertising sales managers and in cooperation with all major Russian advertising agencies. RBC switched to advertising-focused business model in 1998 and starting from that year the Company has formed its own advertising sales structure. As a result, RBC's advertising sales team is a group of professionals (about 100 people) who have in-depth knowledge of the advertising market and experience in effective sales. The important aspect in the work of the Company's advertising sales team is cooperation with advertising agencies. At present, the Company cooperates with all leading Russian advertising agencies which provide access to large advertisers, including multinational corporations which prefer to conduct their advertising campaigns via specialized agencies. RBC's efficient sales are based on a combination of direct sales with sales through advertising agencies. The share of direct advertising sales currently amounts to about 50%.

Revenue from additional online services comes from fees for certain services charged from users. Additional online services include paid subscription to the expanded newswire, access to information and research system QuoteTerminal, sales of ready-to-use marketing researches (industry researches, business plans, analytical reports, etc), paid additional services at RBC's entertainment resources, in particular the dating website Loveplanet.ru (a paid service to promote a user profile to top search results, placement of a user profile on privileged positions) and QIP messenger (a fee for calls made to fixed-line and mobile phones).

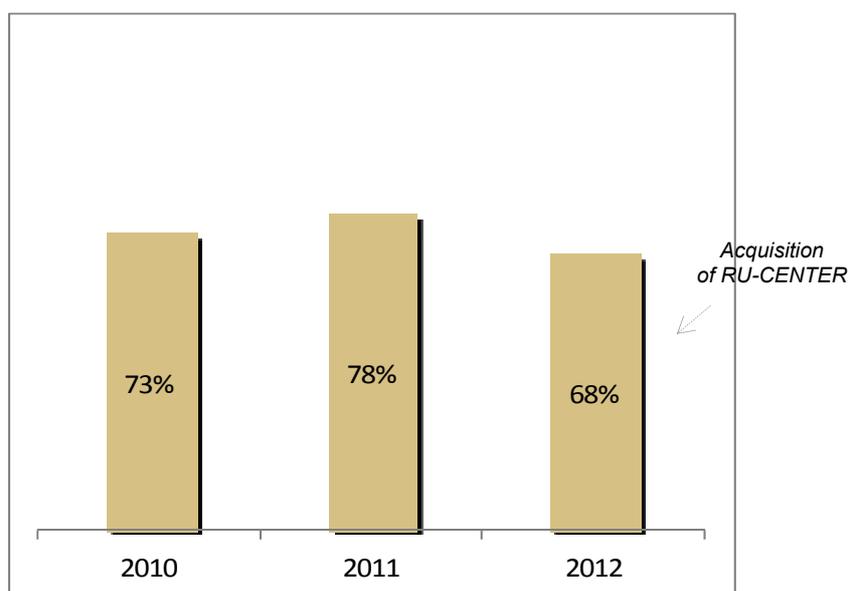
Domain registration revenue is a fee charged from a client for the registration of a domain name in the chosen zone for one year. The amount of the fee depends on the area in which the domain name is registered. A fee is also charged for the renewal of registration for the following year. Hosting revenue also comes from payment charged from a client depending on the service period (from 3 months to 1 year) for a package of services available at a certain tariff. Thus, incomes from domain registration and hosting services are regular payments from clients for services provided to them. In addition to the main services, a number of additional services are offered, for instance rent and placement of servers, provision of SSL certificates, website creation.

**Seasonality of RBC's revenue – share of quarterly revenue in annual consolidated revenue structure** (average figure for the last three years)

Q1	Q2	Q3	Q4
18%	24%	22%	36%

Source: Company data

**Share of advertising revenue in RBC consolidated revenue** (average figure for the last three years)



Source: Company data

**Expenses**

Unlike revenue, which is subject to seasonal fluctuations, RBC's expenses consist of permanent costs. Payroll makes up the largest share of the cost side. It includes salaries and premiums paid to employees. Higher payroll costs are attributable to an increase in headcount and salaries paid to employees. The Company has seen moderate growth of headcount in recent years. Furthermore, the

Company is interested in attracting and retaining highly-qualified employees in order to maintain its market leadership, which is why it raises the salaries of IT specialists, journalists and sales managers on a regular basis.

Advertising and distribution expenses are the second biggest cost item. They comprise fees to advertising agencies, costs of promotion of RBC's projects on third party resources. Costs related to the payment of fees to advertising agencies are the main fluctuating costs as they are directly related to the growth of RBC's advertising revenue.

Cost of sales is made up of expenses for printing, telecommunications expenses (Internet access, domain name registration and renewal, TV signal transmission, expenses on data centers), and costs to purchase information.

The Company's administrative costs include office rental payments and office maintenance expenses, expenses for the administrative and technical divisions, and salaries to administrative staff.

## 1.4 Strategy

Internet is the key business line for the Company. RBC was one of the first players in the Russian Internet segment and still holds leadership positions.

Specifically, RBC plans to continue its successful development in the business Internet segment, in which the Company is the undisputed leader. Additionally, RBC has secured strong positions of its media assets in the business television and business press segments which have strong synergies with business Internet resources and are conducive to the stable development of the entire Holding.

Additionally, RBC aims to increase its Internet audience through developing non-business Internet projects which have growth potential. The Company's main goal for the next several years is to attain a high level of monetization of its non-business Internet resources.

To increase the share of paid services, which are a source of stable revenue, RBC will continue developing domain registration and the hosting business as well as related value-added services.

As far as the television segment is concerned, RBC aims to raise the market share of RBC channel. RBC is interested in helping the channel gain further popularity, increasing viewing time and the sell-out ratio, as well as expanding the customer base and Internet footprint.

The goal set for the printed publications segment is to maintain advertising sales at least at the average market level. In addition, RBC will continue expanding the presence of its printed media on the Internet, because the Company intends to focus on achieving growth in this segment. Therefore, in line with market trends, RBC focuses on Internet resources and RBC channel, while printed publications will remain an additional source of income and will continue to promote a high awareness level of the Company and confidence in the RBC brand.

### *Goals for 2013:*

- Growth of audience of business Internet resources, RBC channel, and key printed publications;
- Higher competitiveness of the entertainment Internet segment by repositioning a number of thematic Internet resources;
- Higher share of paid services in revenue;
- EBITDA breakeven for the *RBC daily* newspaper and the entertainment Internet;
- Optimization of resource portfolio by divesting non-core assets.

## Chapter 2. Russia's advertising market in 2012

Russia's advertising market expanded by 13% to RUB 297.8bn in 2012, according to the Russian Association of Communication Agencies (RACA). The major contributors to the growth were television and Internet, which accounted for up to 78% of the aggregate increase in advertisement placements.

The advertising market structure remained largely unchanged in 2012 from 2011. Television is still the most popular form of advertising media among advertisers. The share of television amounted to 48% of the Russian advertising market, down from 50% a year ago. The interest of advertisers in this media is mainly due to the fact that advertising on television enables them to reach a large audience. In 2012, the value of commercials placed on television amounted to RUB 143.2bn, up 9% year-on-year, according to RACA. Advertising revenue of free-to-air (FTA) channels amounted to RUB 139.9bn, up 9% year-on-year, while placement of commercials on cable and satellite television rose 27% to RUB 3.3bn.

The advertising revenue of non-free-to-air (NFTA) TV channels has been growing at a fast pace recently. Viewers' interest is switching towards thematic channels, which offer their audience unique and specialized content. As a result, the trend in recent years on the Russian television market is a reduction of the share of FTA channels and increase of that of NFTA channels. Advertisers are paying stricter attention to thematic channels following the audience. Although niche channels have a smaller audience compared to FTA channels they enable advertisers to gain access to a targeted audience segment, which makes advertising campaigns more efficient. Furthermore, the cost of advertising on niche channels is lower than on FTA channels, which appeals to medium-sized companies in addition to large corporations. Quite a few experts on the Russian advertising market note the increase in advertising budgets in recent years as well as the number of advertisers who prefer to place their commercials on thematic channels. At present, the share of advertising outlays on NFTA channels is substantially lower than the share of thematic channels in the total television viewing in Russia, which gives grounds to forecast further growth of advertisers' interest in this segment of the Russian television.

According to forecasts made by Russian advertising market participants, television will remain the largest market segment in the next several years. Television will retain its status as a popular form of spending free time for households and the most massive media in terms of coverage. For that reason, there will be high demand for television advertising from advertisers.

The Internet is the second-largest advertising market segment. Its share grew to 19% as of the end of 2012 from 16% in 2011. The value of advertising placed on the Internet increased 35% year-on-year to RUB 56.3bn in 2012, as estimated by RACA. Spending on display advertising amounted to RUB 17.9bn, up 17%, while spending on contextual advertising climbed 45% to RUB 38.4bn.

Internet advertising remains the fastest-growing segment of the Russian market. However, the segment's pace of growth slowed in 2012 compared to 2011, when its growth amounted to 56%. The decline is attributable to a number of factors. First of all, market participants noted that the Russian

advertising market reached a certain level of maturity, which is why it is no longer able to achieve high growth rates year-on-year. Moreover, advertisers remained worried about the macroeconomic situation in Europe and in Russia in 2012. Some multi-national companies went without active advertising campaigns in 2012, which impacted the entire advertising market and the Internet advertising segment. Another negative factor affecting the amount of spending on Internet advertising was the passage of amendments to the Federal law "On Advertising" which banned advertising of alcoholic products on the Internet from July 2012. The above-mentioned factors primarily impacted online display advertising.

Additionally, the year 2012 was uncharacteristic for display advertising on the Internet in terms of distribution of advertising revenues during the year: there were high incomes in the first half of the year, small growth in the third quarter and almost zero growth in the fourth quarter compared to the respective periods of 2011. Such unusual distribution of income was caused by a number of events. In early 2012 ahead of the March presidential elections, there was additional spending on Internet advertising. Also, as a result of the ban on alcoholic product advertising on the Internet imposed in July 2012 alcoholic beverage producers increased their advertising spending in the first half of the year. Additionally, the 2012 UEFA European Football Championship was held in June, in which the Russian team took part. As a result, many companies redistributed their advertising budgets to the second quarter, which is not typical for the advertising market. The XXX Summer Olympics in late July–early August also contributed to the allocation of advertising budgets for the summer months, during which the activity of advertisers is traditionally low. Therefore, the second half of the year, with the exception of July and August, saw a smaller increase in display Internet advertising. The high base effect of the second half of 2011 and especially Q4 2011 was an additional factor.

The Internet is a very attractive advertising platform for advertisers, because the Russian Internet market is one of the world's largest by the number of users. According to a poll conducted by the Public Opinion Foundation (FOM) in December 2012-February 2013, the number of people who go online at least once a month amounts to 64.4m or 55% of the country's population aged 18 and older. The share of active users who browse the Internet at least once in a day amounts to 43% or 50.1m people. Russia's Internet market became the largest in Europe in 2011, according to a comScore survey. Russia remained on top position in Europe in terms of Internet users as of June 30, 2012, according to data from Internetworldstats.com. However, the Internet penetration rate in Russia is lower than in most developed economies, in which it stands at about 78-90%. Analysts expect Russia's Internet user base to expand in the next several years primarily due to higher activity of people living outside of Moscow and St. Petersburg and the rollout of mobile Internet.

Printed media are the third-largest segment of the Russian advertising market. The share of printed publications amounted to 14% as of the end of 2012. RACA estimated that the amount of advertising in printed publications reached RUB 41.2bn in 2012, rising 2% compared to 2011. Of the total, advertising in magazines amounted to RUB 20.1bn, up 1%; advertising in newspapers rose 8% to RUB 9.5bn; and in advertising publications decreased by 1% to RUB 11.6bn.

The ways and means that information has been used in recent years have been changing due to the expansion of the Internet and development of digital formats. Printed publications have felt the effects of these changes more than other media. In particular, the audience and circulation of printed publications is in decline, which has a negative impact on the demand for printed publications as an advertising medium. Therefore, the share of printed publications decreased to 14% of the Russian advertising market in 2012, down from 18% in 2011. However, market players note that despite the negative changes, the printed publication market retains its position as a source of reliable information and as the third-largest segment of the Russian advertising market in terms of advertising placements. A number of polls of subscribers to printed publications showed that over 50% of the audience are not prepared to forego printed publications and replace them with digital media.

At present, publishers direct more attention to the development and promotion of online versions and websites of printed publications, which often offer additional content compared to hard copies. However, experience has proven that digital publications do not replace printed publication but just serve as an addition to them.

The printed publication market will undoubtedly change in the future due to changes in reader preferences. However, a certain part of readership by force of habit and because of convenience will continue receiving information from printed publications and consequently advertisers will be regarding advertising in the press as one of the ways to catch readers' attention.

### **Outlook for 2013**

ZenithOptimedia projects that the Russian advertising market will grow 12.5% to RUB 335bn in 2013. The Russian market is still one of the fastest-growing in the world and its growth outpaces such dynamic markets as Latin America, developing countries in Asia and Eastern Europe. Internet advertising is expected to remain the major growth driver of the Russian advertising market. Internet advertising is expected to soar 30% in 2013 in Russia, according to ZenithOptimedia's forecast. Expenses on TV advertising are projected to increase 9% in 2013, whereas advertising in printed publications is expected to grow 2%. The ban on advertising alcoholic products in printed media effective January 1, 2013 will have a negative effect on advertising in printed publications.

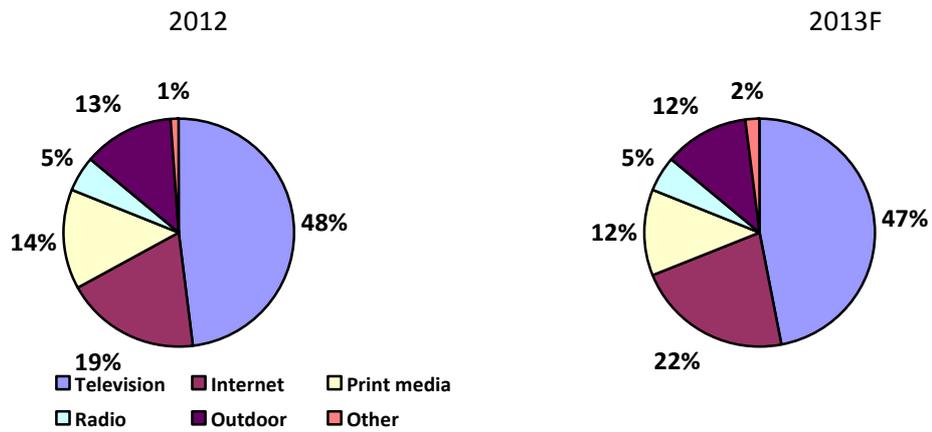
### **The size of the Russian advertising market, b rubles**

<b>Segment</b>	<b>2012</b>	<b>Growth in 2012</b>	<b>2013F</b>	<b>Growth in 2013</b>
TV	143.2	9%	156.2	9%
<i>FTA</i>	139.9	9%	-	
<i>cable and satellite</i>	3.31	27%	-	
Internet	56.3	35%	73.3	30%
<i>display advertising</i>	17.9	17%	-	
<i>contextual advertising</i>	38.4	45%	-	
Printed publications	41.2	2%	42.0	2%
<i>newspapers</i>	9.5	8%	-	

<i>magazines</i>	20.1	1%	-	
<i>advertising publications</i>	11.6	-1%	-	
Radio	14.6	23%	17.0	17%
Outdoor advertising	37.7	10%	41.1	9%
Other media	4.9	14%	5.6	16%
<i>indoor advertising</i>	3.8	13%	-	
<i>advertising in movies</i>	1.11	18%	-	
<b>TOTAL</b>	<b>297.8</b>	<b>13%</b>	<b>335.2</b>	<b>13%</b>

Source: 2012 data is provided by RACA, 2013 forecast was made by ZenithOptimedia

### Structure of Russia's advertising market



Source: 2012 data is provided by RACA, 2013 forecast was made by ZenithOptimedia

## Chapter 3. Board of Directors' report for 2012

### 3.1 Operating activities

RBC management set as its priority operating goal for 2012 development of the Internet business division, including mobile Internet, and firming up the hosting and domain registration business, improvement of technological base and the content of RBC channel, and optimization of the asset structure. The Company has managed to achieve all of these goals.

#### Internet

The number of users of RBC Internet resources in Russia exceeded 20.5m people a month as of year-end 2012. The total Russian-speaking Internet audience stood at over 63.7m people as of the end of December, according to TNS.

In 2012, most attention was devoted to the development of the content projects of the Rbc.ru portal, such as RBC.Sport (Sport.rbc.ru), RBC.Style (Style.rbc.ru), RBC.Realty (Realty.rbc.ru), and upgrade of the automobile website Autonews.ru.

The thematic section Sport.rbc.ru with new design and content was launched in April 2012. The launch was preceded by work to re-design the website, upgrade its technological platform, form a new team of editors and reporters specializing in sports, create a sports newswire with up to 120 news items per day. Additionally, the work on exclusive materials, including interviews, players and experts' commentaries, was fine-tuned. In 2012, two special projects were implemented on the Sport.rbc.ru website timed to coincide with large international sports tournaments: the UEFA European Football Championship and the 2012 Summer Olympics. As a result, RBC.Sport became one of the most popular sports websites in the Russian language internet as of year-end in terms of monthly audience in Russia, according to Liveinternet.ru.

The design of the Style.rbc.ru website was changed and a new editorial policy was established. The range of topics covered by the project was expanded and new sections appeared. The revised version of RBC.Style was launched in December 2012.

Changes in the Realty.rbc.ru website also concerned its design. The new design offers the greatest possible convenience to users interested in the purchase, sale or rent of real estate. Furthermore, additional emphasis was placed on the website's content. Specifically, the number of news items and research materials devoted to the real estate market was increased and the database of real estate offers was substantially expanded. RBC.Realty was re-launched in early 2013.

The revamped automobile portal Autonews.ru offers users modern design and high-quality visual content. Additionally, changes were made to the structure of the website's sections, which became more functional, and the user content, the share of which was significantly increased. A section entitled Autonews Club was created, which is expected to become a forum for auto enthusiasts and automobile business representatives. The re-designed Autonews.ru website became available to users in early 2013.

The re-design of major thematic websites expanded the advertising opportunities of the resources as additional space for advertisements appeared and the formats of banners on main pages changed, which will make it possible to carry out various creative advertising campaigns. At the same time, expansion of the range of topics covered by the above-mentioned websites will enable RBC to diversify its customer base, which includes expanding cooperation with advertisers of luxury goods and services.

The revamping of major Internet resources in the reporting year lays the groundwork for growth of audience and financial results of RBC's Internet business division in 2013.

RBC continued to scale up its footprint on the mobile Internet market by launching new mobile applications. The Company launched RBC Loans app, which makes it possible to find a bank loan to fit user specifications based on offers available on the market and estimate the payment schedule (the app is accessible to users of Android mobile devices). Additionally, an application of Utro.ru news website for iOS and Android and an RBC Sport app for Android were launched. The latter made access to materials on the Sport.rbc.ru website more convenient. As a result of this effort, users downloaded RBC's apps over 1m times by year-end. The RBC app, which includes Rbc.ru newswire, articles from the *RBC daily* newspaper and RBC channel programs enjoys top position in App Store and Google Play. RBC began monetization of its apps in 2012.

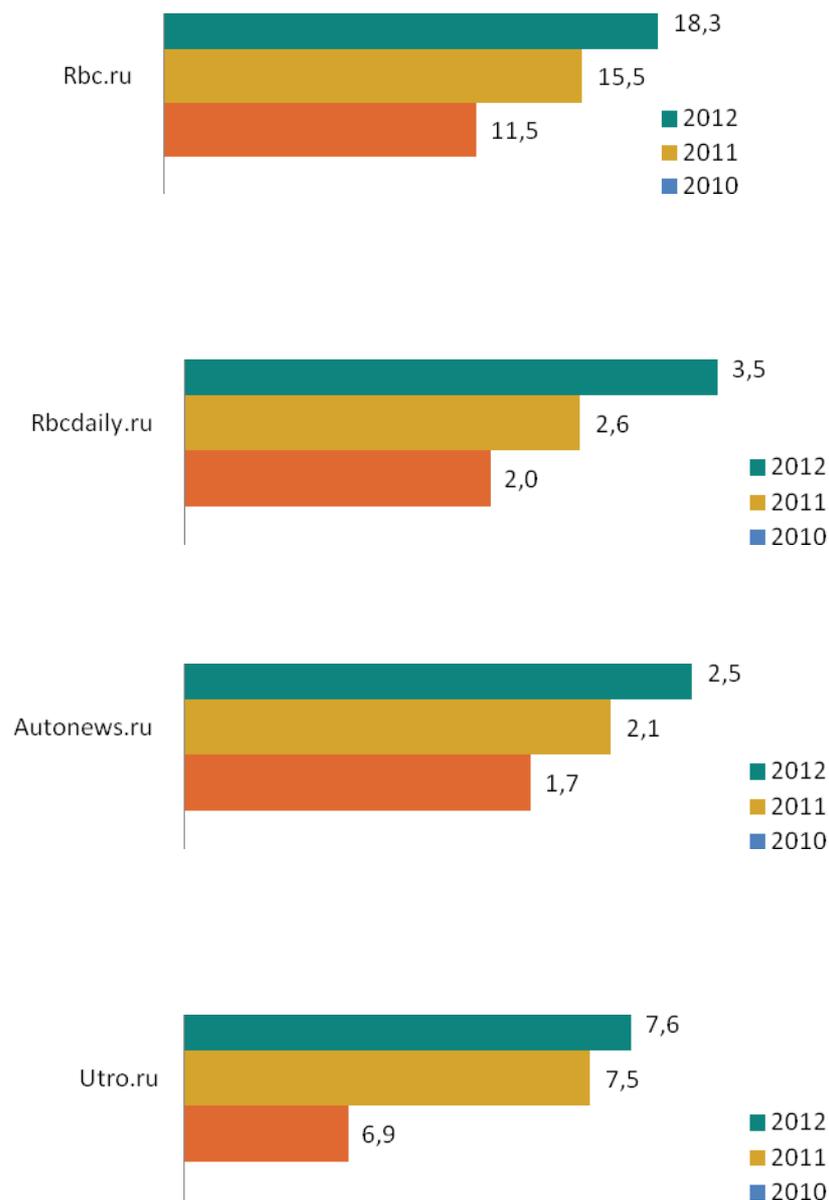
In March 2012, RBC announced having acquired a 33% stake in KuponGid (Kupongid.ru), one of the biggest discount coupon aggregators in Russia and Ukraine. The value of the deal amounted to \$0.5m, including investments in project development. RBC has a two-year option to increase its equity stake in KuponGid to 73% in accordance with the agreement. RBC had partially exercised its option as of the end of 2012 and its stake in the project rose to 53%. KuponGid was integrated into key non-business resources of RBC. Additionally, the Company worked on mobile apps of KuponGid during the last reporting year. The mobile app of KuponGid (the iSkidki app) is available to users of iOS, Android and Bada operating systems.

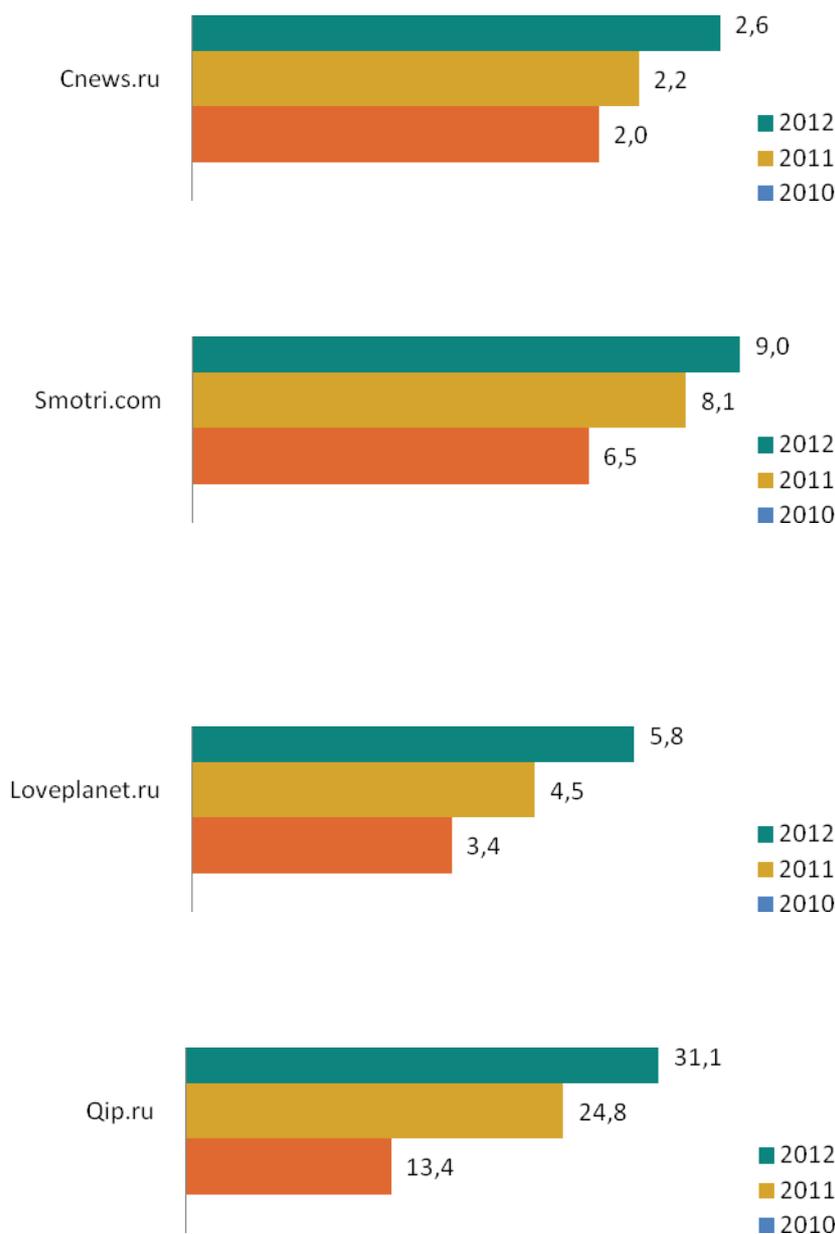
Work in the non-business Internet resource division focused on maintaining ongoing projects at their current level in 2012. Pavel Rogozhin was appointed head of the non-business Internet resource division in late August 2012. Under his leadership the strategy of revamping RBC's entertainment Internet resources was developed which includes re-positioning of the QIP portal, the consolidation under one brand for all entertainment content projects, improvement of the Smotri.com video portal and the Loveplanet.ru dating website, and re-positioning of Magna and Videolink advertising networks. The strategy of overhauling entertainment Internet resources is expected to be implemented in 2013. As part of the non-business asset portfolio restructuring it was decided to suspend development of a number of start-ups.

In early September, RBC closed a deal to sell its 74% stake in RBK Money payment system for \$8.4m. The Company's Board of Directors passed a resolution prior to the deal that the asset is classifiable as non-core for the Company.

RBC commenced regional expansion in late 2012 by launching the first regional version of the Rbc.ru portal in St. Petersburg. As a result, a localized version of the portal became available to the users in St. Petersburg. The localized version looks like the federal website with integrated local news highlighted for convenience. The information content is provided by the Company's own information agency based in St. Petersburg. The Company intends to launch local versions of Rbc.ru in other major Russian cities.

### Average annual Russian-speaking audience of RBC's main Internet resources





Source: TNS data

### Domains and hosting

In June 2012, RBC took over Russia's largest domain name registrar RU-CENTER. RBC acquired a 100% stake in the Company for RUB 920m. RU-CENTER became the sixth business unit of Hosting Community Group, which is part of RBC Holding. Integration of RU-CENTER into Hosting Community is underway since summer 2012. The group's organizational structure is being streamlined, key units with overlapping functions (back office, customer support, project development) are being merged, business processes are being unified, and notably the number of billing systems is being reduced.

Additionally, Hosting Community Group worked in the reporting year to expand the range of available services. The strategic goal of Hosting Community Group is to establish a universal provider for IT

departments of small and medium-sized companies and offer them a full range of required solutions. To accomplish this goal, Hosting Community has been active in rolling out value-added services. New projects include Website constructor, which makes it possible for customers to design without special training their own sites intended for promotion in search engines, and a goMobi constructor service, enabling users to deploy a site that can be accessed by any mobile devices.

In November 2012, RU-CENTER received the Runet Award 2012 in the category of innovations and technologies. The prize was given for the company's project "Worldwide Domains", which gives RU-CENTER's clients an opportunity to register their domain names in more than 300 domains all over the world.

## **Television**

RBC television channel completed transition to an up-to-date technological platform in 2012, which includes a 16:9 widescreen broadcasting format, tapeless production of content, 3D and 4D graphics software. In addition, RBC channel's studio was merged with the newsroom into a single complex in order to fast-track news stories on the air. Additionally, close attention was devoted to the improvement of the channel's design last year. As a result, viewers were introduced to a new studio design and visual representation in September. Thus, in 2012 RBC completed the upgrade of the channel, which started in 2011.

In summer 2012, RBC launched two remote TV studios in Moscow: in the Ararat Park Hyatt hotel and the Moscow International Business Center. Convenient location of the first studio in the city center enables RBC to make life interviews with prominent Russian businesspeople, public and political figures. The immediate proximity of the second studio to the headquarters of major banks and international corporations will allow the TV channel to obtain exclusive commentaries from leading experts and market analysts. The opening of new studios enhanced RBC's ability to release news and analytical programs more rapidly and helped improve their quality.

RBC channel launched a new programming grid ahead of the new television season in fall 2012. New themed programs and a number of special projects featuring high-profile Russian business and public figures went on the air. The weekend programming grid substantially changed.

Work on improving the quality of content, expanding the range of topics covered, and inviting prominent business, political and public figures was conducive to increasing monthly audience by 12% year-on-year to 20.4m people as of the end of 2012, according to TNS. Average monthly audience in Moscow rose 6% to 5.2m viewers. In addition to these factors, audience growth in Moscow is attributable to an agreement with Mostelecom signed in early 2012 on the expansion of technical penetration in Moscow. The channel has 100% coverage in Moscow via the Moscow city cable television network under an agreement with Mostelecom.

RBC channel's achievements were awarded in late 2012 with the Comnews Awards prize, which is handed out annually to leading players on the Russian information and communications market. RBC was the leader in the category NFTA channel with the highest annual audience.

### Average monthly audience of RBC channel in Russia in 2010-2012



### Average daily audience of RBC channel in Russia in 2010-2012



Source: TNS

### Printed publications

The focus in the development of business publications *RBC daily* newspaper and *RBC* magazine in 2012 was placed on expanding the range of topics covered, improving the quality of content and developing the distribution network. A number of new sections appeared in *RBC daily*, existing sections and periodical thematic supplements were improved. The important move for firming up the newspaper's market position was cooperation with the country's largest economic and business forums. Such events in 2012 were the St. Petersburg International Economic Forum, the APEC business summit, the Moscow International Forum Open Innovations, and the Moscow International Motor Show.

*RBC daily* had high readership figures during the entire year. According to research conducted by TNS in September 2012-February 2013, the newspaper's average issue readership (AIR) in Moscow amounted to 107,700 readers, up 35% year-on-year. *RBC daily* ranks as the second-largest among popular Moscow business dailies in terms of AIR. In addition to the audience of the printed version, *RBC daily* has a broad base of readers in the Internet. The average daily audience of the Rbcdaily.ru website in Russia amounted to 203,500 users in 2012, up 19% year-on-year, according to TNS.

The monthly business magazine *RBC* expanded the range of topics it covers. It started paying more attention to public and political topics compared to 2011, expanded the section devoted to business class and luxury lifestyle, launched new sections, set up a team of freelance reporters who specialize in certain topics, including foreign reporters. As far as the expansion of distribution network is concerned, efforts were devoted in 2012 to the development of regional distribution of the printed version of the magazine. Additionally, measures were taken to increase retail sales in Moscow and

large Russian cities, while the Company was active in forming partnerships with online stores selling electronic versions of printed publications.

RBC magazine confirmed its leadership on the Russian market of business monthlies last year. The magazine's AIR amounted to 1.082m people in September 2012-February 2013, according to TNS. RBC magazine is the second most popular business publication in Russia and No. 1 on the Moscow market of business monthly publications. The magazine's AIR in Moscow amounted to 433,200 readers during the same period.

Efforts to improve the quality of the content in the *RBC daily* newspaper and the *RBC* magazine helped boost the citation index of both publications in 2012.

RBC's magazines on architecture and design hold leadership in their market niches. Specifically, the *Idei Vashego Doma* (Ideas for Your Home) magazine is the leader among Russia's interior design press, and *Salon-interior* tops premium-segment interior design publications. The AIR of *Idei Vashego Doma*, which targets a broad audience, amounted to 1.63m people in Russia in September 2012-February 2013, while the AIR of premium segment magazine *Salon-interior* amounted to 451,400 readers, as estimated by TNS.

### 3.2 Financial results

#### Financial highlights of 2012<sup>5</sup>

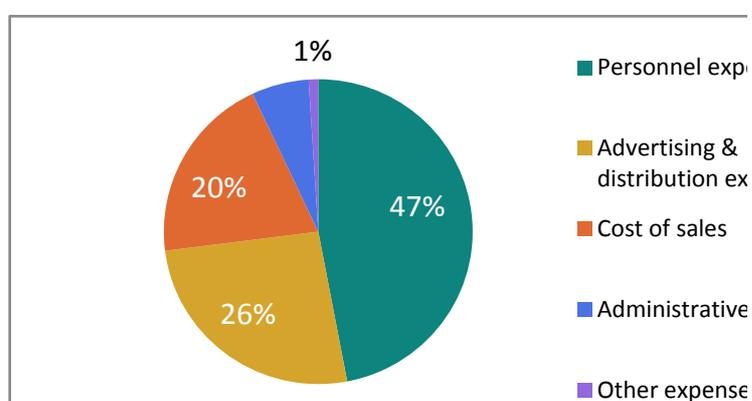
<i>RUB m</i>	2012	2011	Change
<b>Revenue</b>	<b>5,675</b>	<b>4,682</b>	<b>21%</b>
Cost of sales	(3,403)	(2,710)	26%
Including salaries and social security contributions	(2,397)	(1,864)	29%
<b>Gross profit</b>	<b>2,272</b>	<b>1,972</b>	<b>15%</b>
Advertising and distribution expenses	(1,320)	(1,172)	13%
Administrative expenses	(334)	(263)	27%
Other revenues/ (expenses)	(80)	(43)	86%
<b>EBITDA</b>	<b>538</b>	<b>494</b>	<b>9%</b>

<sup>5</sup> According to management accounts

## Revenue breakdown

<i>RUB m</i>	<i>2012</i>	<i>2011</i>	<i>Change</i>
<b>Revenue</b>	<b>5,675</b>	<b>4,682</b>	<b>21%</b>
Internet	2,695	2,511	7%
Domains and hosting	1,169	592	97%
Television	846	606	40%
Printed publications	965	973	-1%
Business publications	417	426	-2%
Salon Press Publishing House	548	547	-

## Cost structure in 2012



## Revenue and EBITDA

RBC's consolidated revenue rose 21% year-on-year to RUB 5.676bn in 2012. The major contributors to revenue growth were domains and hosting division due to the acquisition of RU-CENTER, RBC channel and online services. Lower advertising sales primarily on non-business and partially on business online resources in Q4 as a result of slow growth of display Internet advertising constrained revenue growth in the reporting year. The fourth quarter is traditionally the most important period in the media business, because in this period companies with an advertising business model generate a significant portion of revenue and up to two-thirds of operating profit. An advertising revenue shortfall in Q4 and the start of the new investment cycle, which is related to business development, had a negative effect on RBC's consolidated EBITDA in Q4, which, in turn, impacted the EBITDA for the entire reporting year. EBITDA rose 9% to RUB 538m in 2012.

Internet. Revenue from the Internet division increased 7% to RUB 2.695bn in 2012. The Internet display advertising market experienced a slowdown in growth from fall up to year-end, which impacted the level of advertising sales on business and non-business online resources. Another

negative factor impacting the Company's revenue was the ban on advertising alcoholic products on the Internet, which took effect in late July. The share of alcoholic beverage producers fell to 1% from 5% in 2011. In addition, a number of western carmakers, which are some of RBC's largest advertisers, saw a decline in car sales in late 2012, and this also had a negative effect on revenue. At the same time, RBC's business and entertainment online service reported confident growth. Specifically, sales of market research reported gains, while revenue from subscription fees for paid information and from Loveplanet.ru dating website increased.

Domains and hosting. Revenue in the domain registration and hosting segment surged 97% to RUB 1.169bn in 2012. The major factor behind this growth was the takeover of RU-CENTER.

Television. The revenue of RBC channel amounted to RUB 846m, up 40% compared to 2011. Revenue growth rate was significantly above the market average rate in H2: cable & satellite TV segment expanded 27% in 2012. Above-market growth was attributable to revamping of the channel which helped boost audience and the sell-out ratio.

Printed publications. Revenue from RBC's printed publications decreased 1% year-on-year to RUB 965m in 2012. Lower revenue resulted from weak activity of advertisers and a lackluster environment on the printed publication market. Nevertheless, RBC's business publications and interior design magazine increased their revenues in Q4 which was largely attributable to high activity of alcoholic beverage producers before the ban on alcoholic product advertising in printed publications took effect on January 1, 2013.

## Expenses

Personnel expenses, which rose 26% to RUB 2.397bn in 2012, account for the largest portion of total expenses. Payroll rose as a result of an increase in headcount primarily due to the acquisition of RU-CENTER, and salary hikes in some operating divisions. RBC's headcount stood at 2,570 employees as of end 2012, up 3% year-on-year.

## Breakdown of RBC's staff by business divisions

<i>Business division</i>	<i>2012</i>	<i>2011</i>	<i>change</i>
Internet	1,185	1,037	+148
including RU-CENTER	332	-	+332
TV	530	583	-53
Printed publications	391	416	-25
Business publications	194	185	+9
Salon Press Publishing House	197	231	-34
Administrative staff	131	142	-11
Sales staff	95	108	-13
Auxiliary staff	88	94	-6

Other staff (on maternity leave)	150	125	+25
<b>TOTAL</b>	<b>2,570</b>	<b>2,505</b>	<b>+65</b>

Source: company data

#### Advertising and distribution expenses

Advertising and distribution expenses are the second-largest cost item. Most of them are commissions payable to advertising agencies, which is why advertising and distribution expenses are linked to the increase in RBC's advertising revenue and are the Company's main variable costs. RBC cooperates with all leading advertising agencies in the market. RBC is a leading producer of business and news content in Russia, which is why combining internal expertise in advertising sales with advertising sales through advertising agencies, is the best way to achieve the highest possible volume of advertising sales on the Internet, television and in printed publications. RBC's advertising and distribution expenses increased 13% to RUB 1.32bn in 2012. Another component of advertising and distribution expenses, which rose in 2012, was costs to promote RBC's projects on third-party resources.

Administrative expenses. RBC's administrative expenses, which include salaries to administrative staff and rent, amounted to RUB 334m in 2012, rising 27% year-on-year due to an expansion of RBC's senior management team in H2 as a result of the acquisition of RU-CENTER, among other factors.

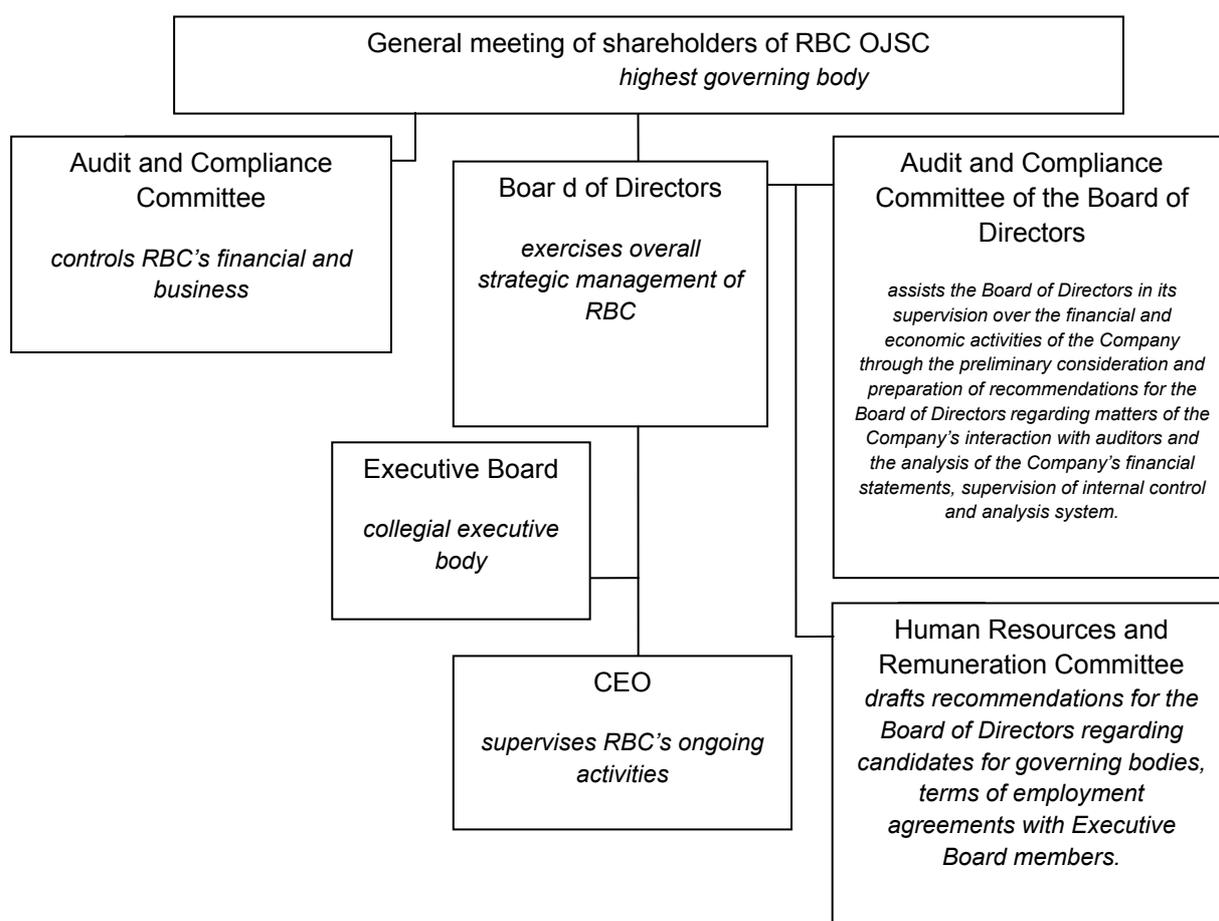
Other expenses. RBC's other expenses surged 86% to RUB 80m during the reporting period. The upsurge was attributable to the Company's efforts to make management accounts as similar as possible to accounting under international financial reporting standards. As a result, some expense items, in particular writing off of production costs after the sale of intangible and fixed assets, were moved above the EBITDA line in 2012. Another factor behind the increase in other expenses was the consolidation of RU-CENTER, which booked expenses on its non-core business closed in 2012.

**Cash position.** Cash and equivalents on RBC's accounts stood at RUB 508m as of year-end 2012, down from RUB 713m a year ago. Capital expenditures amounted to RUB 161m in 2012, investment in intangible assets amounted to RUB 385m, of which RUB 274m was invested in software development. The biggest spending on fixed assets was purchase of computer and television equipment worth RUB 139m. Additionally, around RUB 275.4m was paid in debt interest.

## Chapter 4. Corporate governance

RBC regards corporate governance as a system of relations between the Company's senior executives, the Board of Directors, and holders of the Company's securities, the purpose of which is to ensure the efficiency of RBC's business operations and protect investors' interests. In its day-to-day operation, RBC is guided by the requirements of Russian corporate governance laws, the main provisions of the Russian Corporate Governance Code, globally recognized information disclosure standards, and best practices of Russian and international companies.

### Corporate governance structure



The full list of documents regulating the Company's corporate governance policy and its Articles of Association can be found on RBC's corporate website [www.rbcholding.ru](http://www.rbcholding.ru).

## 4.1 General meeting of shareholders

The general meeting of shareholders is the Company's highest governing body, and in accordance with the company's Articles of Association and the Federal Law "On Joint-Stock Companies" its scope of powers, includes the following issues:

- introduction of amendments and additions to the Company's Articles of Association, the approval of new editions of the Articles of Association and internal documents which regulate the governing bodies;
- reorganization or liquidation of the Company;
- election of members of the Board of Directors, Audit and Compliance Committee and premature termination of their powers;
- increase or reduction of RBC OJSC's share capital;
- approval of the Company's independent auditor;
- approval of annual reports and annual accounting statements;
- distribution of profit and payment of dividends.

RBC holds annual general meetings of shareholders (AGM) annually in accordance with the requirements of Russian legislation. The AGM is held no earlier than two months, and no later than six months following the end of each fiscal year. RBC shareholders that own at least 2% of voting shares may within 30 days after the end of financial year propose items for the agenda of the AGM and put forward candidates for the Board of Directors, the Audit and Compliance Committee. The number of such candidates cannot not exceed the number of members in these bodies. Other shareholder meetings held in addition to the AGM are called extraordinary meetings. The extraordinary general meeting (EGM) of shareholders is convened by the Board of Directors on its own initiative or at the request of the Audit and Compliance Committee, the Auditor, a shareholder or a group of shareholders that own at least 10% of shares in RBC OJSC.

During the reporting period, the AGM was held on June 28, 2012. In accordance with the voting results, the shareholders approved the annual report, annual financial statement, including the profit and loss statement, and passed a resolution not to pay out dividends for 2011. Grant Thornton was approved as RBC's auditor for 2012. The shareholders also elected members of the Board of Directors and members of the Audit and Compliance Committee of RBC and set forth a procedure for the remuneration and reimbursement of expenses incurred by members of the Board of Directors of RBC OJSC who are recognized as independent directors under Clause 2.6 of the Regulations on the Board of Directors and international corporate governance standards. The AGM also approved new editions of the Articles of Association and Regulations on the Board of Directors.

On December 10, 2012, an EGM was held at request of Onexim Group, represented by Pragla Limited, a shareholder which owns over 10% in the Company. The EGM's agenda included premature termination of the powers of members of the Board of Directors, remuneration and reimbursement for expenses incurred by members of the Board of Directors. In accordance with the

voting results, the shareholders elected new Board of Directors, approved the amount of remuneration and reimbursements for expenses of members of the Board of Directors who are recognized as independent under Clause 2.6 of Regulations on the Board of Directors and international corporate governance standards during the period in which they acted as members of the Board of Directors.

## 4.2 Board of Directors

The Board of Directors is responsible for overall strategic management of the company's activities, except for issues that fall explicitly within the scope of powers of the general meeting of shareholders pursuant to the Federal Law "On Joint-Stock Companies" and RBC OJSC's Articles of Association. A broad range of issues falls within the scope of powers of the Board of Directors, including:

- determining the Company's top-priority areas of business, approving the Company's strategy and concept for development, as well as the ways and means for their implementation;
- approval of annual and quarterly budgets and supervision of the implementation of approved budgets;
- convening annual and extraordinary general meetings;
- electing the CEO and prematurely terminating his powers, determining the amount of remuneration and compensation payable to the CEO;
- electing members of the Executive Board and prematurely terminating their powers;
- approving major transactions and related-party transactions;
- making recommendations to the general meeting regarding the Company's reorganization, the allocation of the Company's profits at the end of the first quarter, the first six months, and the first nine months of a fiscal year and (or) of a fiscal year;
- making recommendations to the general meeting on the size of dividend on shares, and the procedure for paying out dividends, approval of the Company's dividend policy.

Members of the Board of Directors are elected by the general meeting of shareholders for the period until the next annual general meeting and may be re-elected an unlimited number of times. The powers of members of the Board of Directors can be terminated prematurely by the general meeting of shareholders. The number of members of the Board of Directors cannot be less than 9 persons.

As of the beginning of 2012 the Board of Directors comprised Sergey Lavrukhin (Chairman), Alexander Morgulchik (Deputy Chairman), Anton Kiryukhin, Neil Osborn, Vladimir Pakhomov, Ekaterina Salnikova, Valery Senko, Michael Hammond, and Christophe Charlier.

At the Board of Directors meeting on April 13, 2012 a resolution was passed to terminate prematurely the powers of Sergey Lavrukhin as the Chairman of the Board of Directors in connection with his nomination for the CEO of RBC OJSC<sup>6</sup>. Valery Senko was elected the new Chairman of the Board of Directors.

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<sup>6</sup> In accordance with the Regulations on the Board of Directors of RBC OJSC the Company's CEO cannot be concurrently Chairman of the Board of Directors.

The AGM dated June 28, 2012 elected new Board of Directors which included Konstantin Babunov, Sergey Lavrukhin, Alexander Morgulchik, Neil Osborn, Ekaterina Salnikova, Valery Senko, Mikhail Sosnovsky, Michael Hammond, and Christophe Charlier. At the first meeting of the new Board of Directors Valery Senko was elected Chairman and Mikhail Sosnovsky Deputy Chairman.

The EGM on December 10, 2012 passed a resolution to terminate prematurely the powers of the Board of Directors' members elected by AGM on June 28, 2012 and elected a new Board of Directors of RBC. In accordance with the voting results, the following persons were elected to the Board of Directors: Sergey Lavrukhin, Alexander Morgulchik, Elena Myasnikova, Neil Osborn, Ekaterina Salnikova, Derk Sauer, Valery Senko, Marat Cherkasov, and Christophe Charlier. At the first meeting of the new Board of Directors Derk Sauer was appointed Chairman and Valery Senko Deputy Chairman.

***Members of RBC OJSC's Board of Directors as of December 31, 2012***

<b>Derk Sauer</b> Chairman	<p>Year of birth: 1952</p> <p>Citizenship: Dutch</p> <p>Mr. Sauer has been a member of RBC OJSC's Board of Directors since December 2012 and the Chairman of the Board of Directors since his election to the Board of Directors. Additionally, he has been President of RBC OJSC since November 2012 and the Chairman of the Supervisory Board of Sanoma Independent Media and a member of the Board of Directors of NRC Media Netherlands. In 1992-2008, Mr. Sauer was the CEO of Sanoma Independent Media publishing house.</p> <p>Owns no shares in RBC OJSC.</p>
<b>Valery Senko</b> Deputy Chairman	<p>Year of birth: 1979</p> <p>Citizenship: Russian</p> <p>Mr. Senko has been a member of the Board of Directors since June 2010. He was the Chairman of the Board of Directors in April-December 2012 and since December 2012 to date the Deputy Chairman of the Board of Directors. In addition, Mr. Senko holds the position of Director for Investments of Onexim Group since 2007 and is currently member of the Board of Directors of Polyus Gold OJSC, Open Investments OJSC, RUSAL America Corp, Soglassye Insurance Company LLC, Yo-Auto LLC, and Renaissance Capital. Earlier, Mr. Senko held a number of positions at Norilsk Nickel where he was responsible for corporate development, international projects and investor relations. He graduated from the Moscow State Institute of International Affairs with a degree in finance and credit.</p>

	Owns no shares in RBC OJSC.
<b>Sergey Lavrukhin</b>	<p>Year of birth: 1971</p> <p>Citizenship: Russian</p> <p>Member of the Board of Directors since September 2010. Mr. Lavrukhin was the Chairman of the Board of Directors in September 2010-April 2012. Since April 2012, Sergey Lavrukhin is RBC's CEO. Earlier, he held the positions of Onexim Group's Executive Director, the CEO of Zhivi Media Group, Executive Director at the ADV advertisement holding and at television channel 2x2, and Financial Director of Prof-Media media holding. Mr. Lavrukhin holds a degree in management from the Moscow Institute of Management, he also completed an International Executive Programme course in business school INSEAD (France).</p> <p>Owns no shares in RBC OJSC.</p>
<b>Alexander Morgulchik</b>	<p>Year of birth: 1970</p> <p>Citizenship: Russian</p> <p>Member of the Board of Directors since 2010. Since 2001, Mr. Morgulchik has been a member of the Board of Directors of RBC Information Systems OJSC, which was parent company of RBC Group until mid-2010, and currently is not part of RBC Group. Mr. Morgulchik was one of the founders of RBC. He held executive positions in the companies of RBC Group since the inception of RosBusinessConsulting information agency in 1993 until mid-2012. Mr. Morgulchik is currently Director for Business Development of TMT Investments PLC. He holds Ph.D. in Economics from the Plekhanov Russian Academy of Economics.</p> <p>Mr. Morgulchik owns a 33% stake in Remedy Trade Limited, which holds a 6.17% stake in RBC OJSC.</p>
<b>Christophe Charlier</b>	<p>Year of birth: 1972</p> <p>Citizenship: French</p> <p>Member of the Board of Directors since 2010. In addition, Mr. Charlier is Deputy CEO of Onexim Group since 2009. He is the Chairman of the Boards of Directors of Brooklyn Basketball Holdings, LLC, and Renaissance Capital and sits on the Boards of Directors of Optogan CJSC, Renaissance Financial Holdings Limited, Quadra – Power Generation OJSC, Clean Wave Technologies, Inc., Brooklyn Arena, LLC, Rusal Global Management B.V., Renaissance Capital Investments Limited, Ukrainian Agrarian Investments S.A., United Company Rusal Plc. Earlier, Mr. Charlier was head of strategic development department at Norilsk Nickel. Mr. Charlier graduated <i>cum laude</i> with a BSE with a major in Finance from the Wharton School, holds a BA in International</p>

	<p>Relations from the College of Arts &amp; Sciences of the University of Pennsylvania.</p> <p>Owns no shares in RBC OJSC.</p>
<b>Ekaterina Salnikova</b>	<p>Year of birth: 1957</p> <p>Citizenship: Russian</p> <p>Member of the Board of Directors since 2010. In addition, Ms. Salnikova holds the post of the Deputy CFO of Onexim Group since 2007, sits on the Board of Directors of Quadra – Power Generation OJSC, Open Investments OJSC, Yo-Auto LLC, and Soglassye Insurance Company LLC. Earlier, she was the Deputy CFO for corporate governance of Interros. Ms. Salnikova graduated from the Sergo Ordjonikidze Management Institute majoring in organization management and from the Russian Civil Service Academy under the RF President majoring in jurisprudence, holds a PhD in Economics.</p> <p>Owns no shares in RBC OJSC.</p>
<b>Elena Myasnikova</b>	<p>Year of birth: 1957</p> <p>Citizenship: Russian</p> <p>Member of the Board of Directors since December 2012. Ms. Myasnikova has also been Vice President of RBC OJSC since November 2012. She was the CEO of Sanoma Independent Media in January 2008-October 2012, and the CEO of FashionPress LLC in 2002-2008. Ms. Myasnikova graduated from the Moscow State University majoring in philology.</p> <p>Owns no shares in RBC OJSC.</p>
<b>Marat Cherkasov</b>	<p>Year of birth: 1976</p> <p>Citizenship: Russian</p> <p>Member of the Board of Directors since December 2012. Mr. Cherkasov is also Director of the Credit Risk Assessment Center at MDM Bank. Earlier, he was head of the credit risk department of MDM Bank. Mr. Cherkasov graduated from the Nizhny Novgorod State University.</p> <p>Owns no shares in RBC OJSC.</p>
<b>Neil Osborn</b>	<p>Year of birth: 1949</p> <p>Citizenship: the U.K.</p> <p>Member of the Board of Directors since 2010. Mr. Osborn is publisher and managing director of Euromoney and a member of the Board of Directors of Euromoney Institutional Investor PLC. Earlier, he served on the Board of Directors of RBC Information Systems OJSC. Mr. Osborn graduated from Worcester College, Oxford, Great Britain.</p> <p>Owns no shares in RBC OJSC.</p>

Biographies of members of the Board of Directors are as of May 2013.

Meetings of the Board of Directors are convened as and when required, but at least once per quarter. Meetings of the Board of Directors are convened by the Chairman of the Board of Directors on his or her own initiative, at the request of a member of the company's Board of Directors, Audit and Compliance Committee, auditor, or the company's CEO.

A total of 19 meetings were held in 2012, six of which were held in the form of joint presence.

**Participation of members of the Board of Directors in meetings of the Board of Directors of RBC OJSC in 2012.**

	Meeting of the Board of Directors	Joint presence	Meeting by mail-in ballot
	Attendance/ Number of meetings held during the period in which a person exercised his or her powers as a member of the Board of Directors		
Derk Sauer*	1/1	1/1	0/0
Valery Senko	19/19	6/6	13/13
Ekaterina Salnikova	17/19	5/6	12/13
Sergey Lavrukhin	19/19	6/6	13/13
Christophe Charlier	17/19	4/6	13/13
Alexander Morgulchik	18/19	6/6	12/13
Elena Myasnikova*	1/1	1/1	0/0
Marat Cherkasov*	0/1	0/1	0/0
Neil Osborn	19/19	6/6	13/13
Konstantin Babunov**	5/10	4/4	1/6
Anton Kiryukhin***	5/10	4/4	1/6
Vladimir Pakhomov***	6/8	1/1	5/7
Mikhail Sosnovsky**	8/8	1/1	7/7
Michael Hammond****	17/18	5/5	12/13

\* Derk Sauer, Elena Myasnikova, and Marat Cherkasov have served on the Board of Directors since December 10, 2012.

\*\* Konstantin Babunov and Mikhail Sosnovsky were members of the Board of Directors from June 28 until December 10, 2012.

\*\*\* Anton Kiryukhin and Vladimir Pakhomov were members of the Board of Directors until June 28, 2012.

\*\*\*\* Michael Hammond was a member of the Board of Directors until December 10, 2012.

Among the most important decisions adopted in 2012 were the following:

- to convene general meetings of shareholders;
- to approve strategy and priority areas of RBC;
- to approve budgets for 2012 and 2013;
- to review the CEO's quarterly reports on the Company's operating and financial activities;
- to terminate the powers of the CEO prematurely and elect a new CEO;
- to approve the sale of RBC's stake in RBK Money LLC;
- to determine the price of RBC OJSC's additional shares;
- to approve related-party transactions.

In accordance with the Regulations on the Board of Directors, members of the Board of Directors are recognized as independent provided that they meet the following requirements:

- for 1 year prior to their election, they have not been engaged with the Company as its officials or employees;
- they are not engaged as officials with other business entities where any official of RBC OJSC acts as a member of the HR and Remuneration Committee;
- they are not spouses, parents, children, or siblings of any officials of the Company;
- they are not, with the exception of the Company's Board of Directors, the Company's affiliates;

In 2012, payments to independent directors Neil Osborn and Michael Hammond totaled \$110,400. Mr. Osborn and Mr. Hammond were each paid a remuneration (excluding taxes) in the amount of \$50,000 (its equivalent in rubles calculated on the basis of the official exchange rate quoted by the Bank of Russia on the date of payment) per year, as well travel expenses in the amount of \$10,000 (its equivalent in rubles calculated on the basis of the official exchange rate quoted by the Bank of Russia on the date of payment) per year for the period of the performance of their obligations as members of the company's Board of Directors. No payments were made to any other members of the Board of Directors in 2012.

#### **Committees of the Board of Directors**

Committees of the Board of Directors of RBC OJSC are formed to work on issues that fall within the scope of powers of the Board of Directors, and also to issue recommendations to the Board of Directors, CEO and the Audit and Compliance Committee. Two committees were set up in accordance with a resolution by the Board of Directors: the Audit and Compliance Committee of the Board of Directors and the Human Resources and Remuneration Committee.

*The Audit and Compliance Committee of the Board of Directors* is an advisory body attached to the company's Board of Directors, formed to assist the Board of Directors in its supervision over the financial and economic activities of the Company through the preliminary consideration and preparation of recommendations for the Board of Directors regarding matters related the Company's interaction with auditors and the analysis of the Company's financial statements, oversight over internal control system and analysis of its efficiency.

In accordance with the Regulations on the Audit and Compliance Committee, members of the committee can only be independent (those who comply with the independence criteria stipulated in Clause 2.6. of the Regulations on the Board of Directors) and nonexecutive (those who are not members of the Company's executive bodies) members of the Board of Directors. The Chairman of the committee can be only an independent member of the Board of Directors. The Chairman may be a member of other committees of the Board of Directors, but may not be the Chairman of any other committee.

The committee's members as of early 2012 were Christophe Charlier (Chairman), Vladimir Pakhomov, and Alexander Morgulchik. After the election of the new Board of Directors by AGM on June 28, 2012, the Board of Directors elected new Audit and Compliance Committee which included Christophe Charlier (Chairman), Valery Senko and Mikhail Sosnovsky. On December 10, 2012, the EGM elected a new Board of Directors, which, at its first meeting, approved the following composition of the Audit and Compliance Committee: Christophe Charlier (Chairman), Elena Myasnikova and Marat Cherkasov.

*The Human Resources and Remuneration Committee of the Board of Directors* is an advisory body formed to ensure an in-depth examination of issues pertaining to the competence of the Board of Directors as regards selecting human resources to fill positions on the Company's governing bodies and working out the material terms of employment contracts, drawing up requisite recommendations for the Board of Directors and the CEO of the Company.

In accordance with the Regulations on the Human Resources and Remuneration Committee, members of the committee can only be elected from among independent (meeting the independence criteria as set out in Clause 2.6 of the Regulations on the Board of Directors) and nonexecutive members (those who are not members of the Company's executive bodies) of the Board of Directors. The Chairman of the committee can only be an independent member of the Board of Directors. The Chairman may be a member of other committees of the Board of Directors, but may not be the Chairman of any other committee.

As of early 2012, the members of the Human Resources and Remuneration Committee were Valery Senko (Chairman), Sergey Lavrukhin, and Michael Hammond. In April 2012, the Board of Directors terminated prematurely the powers of Sergey Lavrukhin as member of the Human Resources and Remuneration Committee. Christophe Charlier was subsequently elected to the committee. After a new Board of Directors was approved by AGM on June 28, 2012, it appointed to the committee Valery Senko (Chairman), Michael Hammond and Christophe Charlier. In December 2012, the EGM approved a new Board of Directors, which elected the following directors to the committee: Valery Senko (Chairman), Derk Sauer and Neil Osborn.

### **4.3 CEO and Executive Board**

RBC's CEO and members of the Executive Board manage the Company's day-to-day activities. Moreover, the Executive Board and the CEO arrange for the implementation of resolutions issued by the general meeting of shareholders and the Board of Directors of the company. The CEO and the Executive Board act on the basis of the company's Articles of Association and internal documents. Pursuant to the Federal Law "On Joint-Stock Companies" and the Articles of Association, the CEO is the sole executive body of RBC OJSC. The CEO is appointed by the Board of Directors for a term of three years, and the Board of Directors is entitled to remove him from office before this term elapses.

As of the beginning of 2012, German Kaplun held the position of RBC OJSC's CEO. A meeting of the Board of Directors held on April 13 passed a resolution on premature termination of German Kaplun's appointment as the CEO and the appointment Sergey Lavrukhin as the new CEO.

The Executive Board is elected by the Board of Directors for a term of two years and has at least five members. Pursuant to the Articles of Association, the CEO chairs the Executive Board.

As of the beginning of 2012, the Executive Board included German Kaplun, Dmitry Belik, Artyom Inyutin, Sergey Lukin, and Evgeny Shishkov. In May, the Board of Directors appointed a new Executive Board, which included Sergey Lavrukhin, Yekaterina Lebedeva, Sergey Lukin, Vyacheslav Masenkov, and Evgeny Shishkov. In September, Yekaterina Lebedeva left the company and was replaced by Stanislav Povolotsky on the Executive Board. As of the end of 2012, employment agreements were concluded with all members of the Executive Board.

***Members of the Executive Board as of December 31, 2012***

<p><b>Sergey Lavrukhin</b> Chairman of the Executive Board</p>	<p>Year of birth: 1971 Nationality: Russian Mr. Lavrukhin is RBC's CEO. Prior to that Mr. Lavrukhin had held positions of Onexim Group's Executive Director, the CEO of the Jivi! Media Group, had served as Executive Director at the ADV advertisement holding company and at the 2x2 TV channel, as well as Finance Director at the Prof-Media media holding company. Sergey graduated from the Moscow Management Institute majoring in business management, and completed an International Executive course at the INSEAD international business school in France. Owns no shares in RBC OJSC.</p>
<p><b>Sergey Lukin</b></p>	<p>Year of birth: 1967 Nationality: Russian Sergey joined RBC in 2000. Since then he has held management positions and taken an active part in the company's development. Currently holds the position of Deputy CEO of RBC. Until 2012, he was a member of the Board of Directors of RBC Information Systems. Before coming on the Board at RBC occupied management positions at Russian system integration firms in the oil and gas sector and in the banking sector. Education: higher business education. Owns no shares in RBC OJSC.</p>
<p><b>Vyacheslav Masenkov</b></p>	<p>Year of birth: 1973 Nationality: Russian Vyacheslav Masenkov joined the RBC team at the beginning of 2000 as</p>

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the director of the Consulting Department. From 2005 to April 2013 held the position of CEO of RosBusinessConsulting CJSC, which is part of RBC Group of companies. Before that, was the chief of research departments at a number of large banks and investment companies. Vyacheslav graduated from the Moscow Institute of Physics and Technology (the MIPT State University), received a Master's degree from the Higher School of Economics - State University, and holds a PhD degree in engineering.

Owns no shares in RBC OJSC.

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**Stanislav Povolotsky**

Year of birth: 1974

Nationality: Russian

Stanislav Povolotsky has been Corporate Sales Director at RBC since June 2012. Stanislav started his media business career in 1997 at News Outdoor Russia. Later he worked at Publishing House Rabota dlya Vas (Job for You). Since 2000 and before joining RBC occupied the position of Sales Director at Publishing House Hearst Shkulev Russia. In 2010 and 2011 Stanislav was named among the top 1,000 managers in Russia. Stanislav graduated from the Novokuznetsk State Educational Institute.

Owns no shares in RBC OJSC.

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**Evgeny Shishkov**

Year of birth: 1979

Nationality: Russian

Evgeny Shishkov has been Deputy CEO of Finance of RBC since October 2010. Earlier, Evgeny served as Financial and Executive Director of Marketing Services Division at ADV Group, headed Financial Service at television channel 2x2. In 2000-2006 held positions in financial divisions at Prof-Media Management and Publishing House AFS. Evgeny graduated from the Moscow State University of Economics, Statistics and Informatics.

Owns no shares in RBC OJSC.

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Biographies of members of the Board of Directors are as of May 2013.

In 2012, members of the Executive Board, except for the Chairman, received remuneration in the amount of RUB 28,300. In 2012, German Kaplun received remuneration in the amount of RUB 1.2m, and Sergey Lavrukhin received RUB 10.5m, including RUB 6.2m as a bonus.

#### **4.4 Audit and Compliance Committee**

RBC's Audit and Compliance Committee oversees the company's financial and economic activities. In its oversight responsibilities, the Audit and Compliance Committee seeks guidance from laws and other legislative acts of the Russian Federation, the Federal Law "On Joint-Stock Companies," the company's Articles of Association, the Regulations "On the Audit and Compliance Committee," as well

as resolutions of the general meeting of shareholders and the Board of Directors of the company. The Audit and Compliance Committee is elected by the general meeting of shareholders for a term which expires at the next annual general meeting of the company's shareholders. As of the beginning of 2012, the Audit and Compliance Committee was composed of the following Members: Marina Risukhina, head of accounting and reporting department of the Finance Department at Onexim Group, Olga Chernova, Deputy CFO at RosBusinessConsulting CJSC, and Andrey Kononov, head of corporate governance standards department at Onexim Group. Marina Risukhina was Chairperson of the Audit and Compliance Committee. At the annual general meeting of shareholders held on June 28, 2012, RBC's shareholders passed a resolution to appoint members of the Audit and Compliance Committee. The vote did not change the composition of the Audit and Compliance Committee. As of December 31, 2012, the Audit and Compliance Committee included Marina Risukhina, Andrey Kononov, and Olga Chernova.

#### **4.5 Information disclosure**

RBC's objective is to provide investors with equal and timely access to public information. In line with its information transparency policy, RBC takes the following actions:

- discloses material information on the company's operations on its corporate website at [www.rbcholding.com](http://www.rbcholding.com), including press releases on material occurrences in the company's operations;
- ahead of general meetings of shareholders, publishes the information required in the Corporate events section of its website and in the mass media;
- in accordance with legislative requirements, discloses material facts pertaining to its operations, quarterly and annual reports, as well as related-party lists at [www.e-disclosure.ru/portal/company.aspx?id=24832](http://www.e-disclosure.ru/portal/company.aspx?id=24832) and [www.rbcholding.ru/filings.shtm](http://www.rbcholding.ru/filings.shtm);
- provides copies of publicly available documents at the request of those concerned;
- publishes annual audited consolidated financial statements of the company, including related explanatory notes under IFRS, and also reviewed half-year consolidated IFRS financial statements;
- holds meetings and conference calls involving analysts, investors, and shareholders;
- participates in investment conferences and forums.

## Chapter 5. Risk Management

RBC's activities involve certain risks, which can be broken down into external (those beyond the company's control) and internal (those associated with the company's operations). The risk management strategy, which incorporates in-house controls, involves routine risk identification and assessment in order to prevent and mitigate the risks. Below is the list of the main risks that the company could face. The list is not exhaustive.

### External risks:

#### *Economic and financial risks*

- The dependence of Russian economy on major global economies could have an adverse effect on the domestic advertising market, specifically, with regard to operations of multinationals. In order to mitigate the dependence on advertising revenue, RBC is developing the segment of online services.
- The economic downturn may adversely affect the personal purchasing power and impair the business activity of RBC's advertisers who use the company's resources to market their goods and services, which may have a material negative effect on the company's revenue. To minimize this risk, RBC seeks to diversify its operations.
- The depreciation of the Russian ruble against the U.S. dollar may have a negative impact on the company's operating results. Although most of the revenue generated by the company comes in Russian rubles, and its expenses are also mostly ruble-denominated, some of the company's liabilities are denominated in U.S. dollars. Consequently, the dollar's rise against the ruble runs up the company's debt burden.
- Growing inflation increases the company's operating expenses, especially with regard to payroll expenses, and also reduces the purchasing power of such RBC ruble-denominated assets, as cash and deposits. RBC is about to implement a motivation plan for management staff and advertising sales team, which implies delivering on financial objectives.
- A banking crisis may also produce a material adverse effect on RBC's liquid assets should RBC's counterparty banks go bankrupt with the company failing to gain access to its funds held with such banks. To mitigate this risk, RBC maintains accounts with several banks.

#### *Political risks*

- The operations of Russian media companies can be subject to politically motivated actions that could have a material negative impact on the company's investment value. For over 19 years, RBC has enjoyed the status of an independent and objective information source. In line with the editorial policy of RBC news agency, the company deliberately refrains from any comments on political events.

#### *Legal risks*

- Changes in the regulatory environment for the activities of Russian media companies, including taxation, could have a material negative effect on RBC's operations. To minimize this risk, RBC employs professional lawyers to routinely track changes in the legal framework regulating the company's activities.
- The revocation of licenses or inability to obtain new licenses to carry out its operations could have a material negative effect on the scale of RBC's operations and the amount of its revenue. To minimize this risk, RBC closely monitors the validity and expiration dates of its licenses and takes care to ensure continuous compliance of its activities with license requirements.

#### *Market risks*

- The advertising market is subject to cyclical movements and is reflective of the situation within the country. In order to reduce the dependence on advertising revenue, RBC is seeking to diversify revenue sources, for instance, by developing online services.
- Season fluctuations of the advertising market with regard to business media results in an uneven distribution of incomes during the year. RBC views the development of online services as the best way to even out RBC's revenue throughout the year.
- Legislative initiatives to limit advertising time on television channels along with bans on advertising of certain product categories in various media outlets could have an adverse effect on the company's revenues. RBC's exposure to three major advertising markets enables the company to reallocate advertising budgets between segments. RBC is seeking to attract new categories of advertisers and expand involvement with segments with a small footprint in RBC's client base.
- Cuts in advertising budgets could have a material adverse impact on RBC's revenue and operating results. To minimize this risk, the company is seeking to diversify its revenue streams. By the same token, RBC is doing its best to perfect the quality of its media resources and services.
- Rising competition on the Russian media market and the arrival of new, stronger players could have a material negative effect on RBC's operating indicators. To protect itself against competition, the company seeks to expand its operations on the media market and is doing its best to improve the quality of its resources and services.
- A slowdown in the internet infrastructure growth rate could adversely affect RBC's business. Although the internet is RBC's major focus, the company is also engaged in such market segments as television and the press. Therefore, RBC employs business diversification as a tool to mitigate this risk.
- The gradual saturation of the online advertising market and the resulting decline in its growth rates could negatively impact RBC's revenue growth in the online segment. In order to minimize this risk RBC is diversifying revenue and client base, improves its media platforms, and develops creative, efficient, and comprehensive solutions for advertisers.

- Any failure to extend or breach of relations with third parties that contribute to RBC's content distribution could have an adverse influence on RBC's ratings and cut into its revenue. To minimize this risk, RBC is committed to expanding its partner network.
- If the company falls short of its payment collection expectations, this could also negatively affect its financial situation. To mitigate this risk, RBC conducts an assessment of the solvency of its clients. Payment size and due dates are set in line with existing market practices.
- Any change in the market value of RBC's investment targets could impact the company's financial indicators. To minimize this risk, RBC conducts risk assessment before making an investment to be subsequently backed by routine monitoring of the fair market value of its investments.
- New technologies may increase the risks of copyright piracy with regard to information and impair the company's ability to protect its intellectual property, as well as block customers' advertising. To mitigate this risk, the company employs an in-house team of IT specialists to search for and develop new technologies aimed at protecting the company from unlawful actions by third parties.

#### Internal risks

- The loss of key employees as competition in the media industry is becoming increasingly intense could have a negative impact on RBC's growth. To minimize this risk, the company is building up a reserve of employees trained for top management positions. If necessary, the company may appoint outside executives to key management positions.
- A decline in demand for RBC's business or other information and services could have a negative impact on RBC's revenue. In order to safeguard itself against this risk, the company runs a diversified portfolio of resources and services targeting various audiences.
- A downgrade of RBC's media ratings (audience) in the internet, television, or print media segments could have a material negative effect on RBC's advertising sales. To minimize this risk, RBC endeavors to improve the quality of its resources and services.
- The need to service its debt burden limits cash resources available to the company and prevents RBC from investing in all projects that could be of interest. RBC seeks to boost its operating cash flow through monetization of the current projects, launching new ones, and diversifying its client base and revenue sources.
- Difficulties in integrating new acquisitions, failure to find acquisition targets to match the company's development strategy, and bad investment decisions could result in lower-than-expected operating results for the company. RBC takes a conservative approach to the assessment of risks involved in potential investments in media assets and conducts the relevant due diligence audits before making informed decisions on such deals.
- Hardware and software failures could cause the company to lose part of its audience, damage its reputation and have a negative impact on its advertising sales. RBC maintains

backup servers and isolated generators to ensure the uninterrupted operation of the company's media resources, if necessary.

- The failure to maintain a high reputation and RBC's brand recognition at a high level could have a material negative effect on the company's operations. RBC's business model is based on using a unified content database and an umbrella brand for all of its thematic media outlets. The company uses a single brand, RBC, for all of its business-related internet, television and print media resources, which enhances synergies between the company's resources and gives RBC an edge over competitors which are less diversified media companies. For instance, RBC consistently takes advantage of cost-cutting opportunities in the process of content creation and boosts advertising proceeds through cross sales. Furthermore, cross promotion of its products helps RBC bolster the recognition of its existing and newly created brands.

## Chapter 6. Securities

### Shares

As of the beginning of 2012, the share capital of RBC OJSC, which is the parent company of RBC holding, stood at RUB 204,090 and was divided into 318,890,625 ordinary registered shares with a par value of RUB 0.00064 each.

On October 10, 2011, the company's general meeting of shareholders passed a resolution to increase RBC OJSC share capital by placing 51,109,375 shares by open subscription. The placement was carried out in May 2012. The company floated 46,740,385 ordinary shares. Relevant amendments were made to RBC OJSC's Articles of Association following the share capital uplift.

As of December 31, 2012, the share capital of RBC OJSC stood at RUB 234,003.85 and was divided into 365,631,010 ordinary registered shares with a par value of RUB 0.00064 each. The shares are authorized for trading on the Moscow Exchange quotation list B under the RBCM ticker.

As of the end of 2012, the main shareholders of RBC OJSC are ONEXIM group represented by Pragma Limited (53.4%), and Remedy Trade Limited (6.17%) (which represents the interests of RBC's founders German Kaplun, Alexander Morgulchik, and Dmitry Belik), and Polyus Gold OJSC (5.2%).

#### Dividend policy

The decision on whether or not to pay out dividends, as well as the dividend size and the form of payment, is taken by the general meeting of shareholders. To this end, the Board of Directors makes relevant recommendations to the general meeting of shareholders with regard to the company's financial standing, expansion plans, and other factors that the Board of Directors may deem to be substantial. The final dividend cannot exceed the level recommended by the Board of Directors.

RBC aspires to leadership on the growing and competitive media market, which requires substantial capital expenditures. For this reason, the Company currently does not pay out dividends.

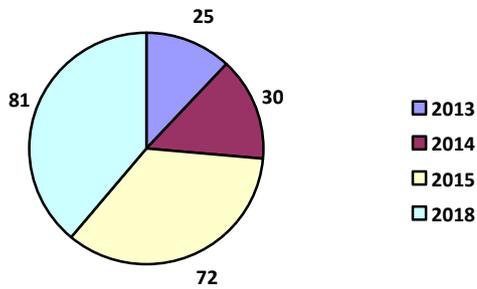
### Debt instruments

RBC's debt totaled \$208m as of December 31, 2012. RBC's loan portfolio consists of five-year loan participation notes (LPNs) denominated in U.S. dollars, and Russian ruble-denominated bonds. LPNs and bonds with maturity in 2015 carry a 7% interest rate, while LPNs and bonds maturing in 2018 carry a 6% interest rate. All debt securities carry semiannual coupons. Coupons on bonds maturing in 2018 are payable starting five years after placement, i.e. in 2015. LPNs comprise 97% of RBC's debt and ruble-denominated bonds account for 3% of the debt.

In 2011, RBC and holders of LPNs agreed to amend the terms of the loan agreement. As a result, the main restrictions on spending the company's free cash flow on expansion and asset acquisition were lifted. In exchange, RBC committed itself to partially repaying its debt ahead of schedule: \$25m is to

be repaid before the end of 2013 and \$30m is to be repaid before the end of 2014 instead of the initial deadline of May 2015.

Debt portfolio breakdown by maturity date (\$ m)



Source: Company data

In 2010, in an effort to restructure its debt, RBC OJSC issued cash settled options and warrants which provide their holders with an opportunity to earn additional returns on the difference between the market price of RBC OJSC' shares and the strike price (\$1.76). The company issued a total of 21m options and warrants exercisable in 2015, and 19m options and warrants exercisable annually over four years beginning 2015.

## Additional information

### **A list of RBC OJSC's major transactions entered into in 2012, as well as a list of deals classifiable as related-party transactions.**

1) In 2012, RBC OJSC did not execute any deals that are classifiable as major transactions in accordance with the federal law "On Joint-Stock Companies" or any other deals that are subject to approval as major deals in accordance with the procedure stipulated in the company's Articles of Association.

2) A list of RBC OJSC's deals in 2012 classifiable as related-party transactions in accordance with the federal law "On Joint-Stock Companies":

1. A deal to enter into a loan agreement between RBC OJSC (Borrower) and Onexim Holdings Limited (Lender) on the following terms:
  - loan amount: USD 2,000,000;
  - loan interest rate: 10%
  - repayment period: on or before March 25, 2013

Related party: PRAGLA LIMITED, shareholder of RBC OJSC

A resolution on the approval of this deal was passed by RBC OJSC's Board of Directors.

2. A deal to enter into a loan agreement between RBC OJSC (Borrower) and RBK Money LLC (Lender) on the following terms:
  - loan amount: RUB 18,000,000;
  - loan interest rate: interest-free
  - repayment period: on or before July 11, 2015

Related party: PRAGLA LIMITED, shareholder of RBC OJSC

A resolution on the approval of this deal was passed by RBC OJSC's Board of Directors.

3. A deal to enter into an additional agreement to contract No. 120414001 dated June 25, 2012 between RBC OJSC and RBC OJSC CEO Sergey Lavrukhin.

Related party: RBC OJSC CEO and member of the Board of Directors Sergey Lavrukhin.

A resolution on the approval of this deal was passed by RBC OJSC's Board of Directors.

### **Information on the use of each type of energy resources used by RBC OJSC in 2012.**

The cost of electrical and thermal power in 2012 was included in the cost of the lease payment for the building used by the company for its office. Therefore, it is not possible to provide information on the use of energy resources either in monetary terms or in-kind.

## Contact information

Online versions of RBC OJSC's annual reports for 2012, as well as all other up-to-date data are available on the Company's corporate website at [www.rbcholding.com](http://www.rbcholding.com).

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### COMPANY'S SHARES

The company's ordinary shares are traded on the Moscow Exchange under the RBCM ticker.

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### INDEPENDENT AUDITORS

Grant Thornton is responsible for auditing RAS annual financial reports, and Deloitte & Touche CIS audits annual and semi-annual consolidated financial reports under IFRS.

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