

**2010 Annual Review**

# **The Energy to Succeed**

**A review of Gazprom Marketing & Trading's  
activities in 2010**

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## Chairman's introduction



**Last year saw Gazprom Marketing & Trading (GM&T) exceed expectations once again. The company not only met its financial target but also exceeded it by 50%, achieving nearly £175 million net profit after tax.**

GM&T's ability to continue to build on its strong financial performance year on year underlines the dedication and determination of its people to succeed, and to help the Gazprom group achieve its strategic objective of becoming a leader among global energy companies.

The Gazprom group is confident of achieving this strategic goal by further developing new markets, diversifying our business activities and securing reliability of supply and demand. GM&T is clearly aligned to this goal.

Europe is Gazprom's most important market – it has been for the last 40 years and will continue to be so for the foreseeable future. GM&T is one of the key entities in enabling the group to expand beyond Europe and to generate additional value in the global markets.

Gazprom is playing a pivotal role in the future of energy and GM&T, with the total support of the Gazprom group, is well placed to monitor and respond to the dynamic market environments in which it operates as well as leverage the strengths of the group to ensure a continued, profitable and creditworthy business.

Its achievements in 2010 have proved that GM&T has the right people, plans and ideas in place to create a sustainable business for the future. In the last year the company achieved a lot. This included the acquisition of TruRead, from which we established a new smart metering business – Gazprom Global Energy Solutions – which is scalable, and another example of the company diversifying its business activities. We also increased our UK market share within the industrial and commercial sectors, set up a truly global 24/7 trading business, and opened our first major office in the Asia Pacific region, opening doors to new markets for Gazprom.

I am confident that the future is a bright one for GM&T and that through continued alignment and synergy between the company and the Gazprom group, we will be able to explore the opportunities that exist within the markets in which we operate.

**Alexander Medvedev**

Deputy Chairman of OAO Gazprom Management Committee, Director General of OOO Gazprom export



**“Thanks to our performance in 2010, we’re in a stronger position than ever to partner with our customers and counterparties to meet the energy challenges they face”**

**Vitaly Vasiliev  
Chief Executive Officer**

The global energy landscape is constantly changing. The past 12 months have seen supply shortages caused by adverse weather and oil price spikes due to political instability. What’s more, demand worldwide is rising, leaving energy users anxious about the price of energy, their mix of supply and where they can buy it from.

Thanks to our performance in 2010, we’re in a stronger position than ever to partner with our customers and counterparties to meet the energy challenges they face.

By working with our parent company Gazprom, we are in a unique position within the energy market to guarantee supply for gas consumers. Our growing trading presence worldwide, meanwhile, enables us to offer a wide range of commodities which now includes physical oil.

We’ve expanded our business geographically, too, opening a new office in Singapore to help us grow our customer base in Asia Pacific.

And we also made progress last year in our efforts to trade cleaner energies such as biomass and help our customers achieve their emission-reduction commitments.

All this adds up to another successful 12 months in which GM&T has continued on its path towards becoming the world’s leading energy marketing and trading company both to work for and do business with.



# Setting the pace

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## The global energy market might be hard to predict, but 2010 demonstrated that counterparties and customers can always rely on GM&T.

It was a very successful year which saw GM&T exceed its main targets and increase its net profit by nearly £60 million – all achieved in tough market conditions in which many of our competitors struggled. Our continuing strong performance within a difficult economic environment indicates that GM&T is a robust company which continues to progress towards its long term strategic aims.

Whether it involved supporting the Nord Stream pipeline or the Shtokman project, we continued to invest in gas transportation and extraction projects to ensure we can deliver gas to our end-customers. We now have the capacity to supply more gas to Europe than ever before. As a result of our burgeoning reputation for gas supply and excellence in customer service, we experienced a rise in demand for wholesale gas, while we expanded our customer base for supply in Ireland, France and other parts of Western Europe.

## Case study G4S Utility Services

With customers looking to use energy more efficiently to reduce costs and comply with emission-reduction legislation, demand for Automated Meter Reading (AMR) is growing with customers looking to use energy more efficiently to reduce costs and comply with emission-reduction legislation. To help GM&T meet that demand, Gazprom Global Energy Solutions (GGES) formed a major smart metering technology services partnership with G4S Utility Services in February 2011.

The deal represents the single largest smart metering technology partnership deal in the UK's non-domestic gas sector. G4S Utility Services agreed to purchase initially 7,500 Safir data loggers from GGES, which will be used to retrieve data on gas usage to help customers pinpoint where they can improve energy efficiency.

G4S Utility Services provides a complete end-to-end energy management solution to businesses. G4S Utility Services supplies, installs, reads and operates smart meters supported by a dedicated energy management service and is seen as the UK's largest independent metering agent, making more than 50 million visits to properties per year nationwide on behalf of major utility companies including British Gas, E.ON and EDF Energy.

The contract will both help GGES grow its business and raise GM&T's profile in the UK market in addition to furthering the relationship between Gazprom and G4S which already included G4S installing loggers on behalf of GGES.

For more information about GGES and their services, please visit:

<http://www.gazprom-mt.com/gges/>

## Setting the pace continued



**“Gazprom’s long and illustrious history, coupled with GM&T’s long-term vision, gives us a huge advantage over many competitors”**

**Keith Martin**  
**Executive Director of Global Gas,  
Power and Downstream**

Our trading desk achieved very good results and a record year in 2010 – no mean feat in harsh trading conditions and a low-volatility market. From a flat start, we saw exponential growth in Gas, Power and Retail.

It was particularly pleasing that businesses we invested in several years ago such as Retail, Carbon and LNG performed exceptionally well, contributing to over half of our profit.

Retail had another phenomenal year on the back of being able to offer customers what they want – tailored solutions offering customers choice and competitive prices.

Gazprom Global LNG (GGLNG), meanwhile, created a fantastic springboard for growth in 2011 by securing deals in emerging markets and expanding its operations worldwide.

Our Carbon business had another excellent year, too, leveraging its substantial portfolio to generate and trade carbon credits. Buoyed by this success, we’re looking to monetise carbon opportunities in Russia in 2011.

We’re also working more closely with our parent company, helping us to leverage the Gazprom brand. Gazprom’s long and illustrious history, coupled with GM&T’s long-term vision, gives us a huge advantage over many competitors, instilling our partners and customers with confidence that we’ll honour our commitments.

With 2010 being such a successful year, I’m sure we can achieve our targets for growth over the next five years.



### Power potential

To build on this success, a key part of our strategic plan for 2011 is to continue to expand wherever we see market value. One area where we see huge potential is power. We see the energy commodity as an extension of gas and as a gas trader, it makes sense for us to trade power, too. We’re determined to optimise our gas supply via power and provide combined gas-and-power solutions to our brokers and customers.

We’ve taken a number of measures recently to help us achieve this aim. We continued to invest in setting up grids and networks in Europe, and leveraged our existing positions to expand our presence on the continent’s power markets, in particular in Eastern Europe, where we can see growing demand for GM&T Retail’s gas-and-power products.

### Support infrastructure

We also developed our infrastructure in 2010 to support our trading activities. If a counterparty has an asset to offer, we can now offer a Trade Services Agreement (TSA) to provide them with a route-to-market.

We invested millions in the Gazprom Global Trading Platform and the Gazprom Global SAP system to streamline and standardise our trading transactions and IT processes, making us a more efficient and truly round-the-clock trading company.

We continued to invest in our people, too, expanding our workforce from 350 globally last April to nearly 600 permanent employees today.



### Smart metering

We also expanded our integrated energy and ability to offer innovative technology such as smart metering, which allows users to measure their gas consumption, identify how to consume gas more efficiently and achieve considerable savings on their energy bills.

Last June we acquired the remaining stake in UK Smart and Automated Meter Reading (AMR) services company, TruRead Limited, now incorporated into GGES. The acquisition has enhanced our AMR offering at a time when a European Union (EU) mandate is demanding that all states run a cost-benefit analysis by the end of 2012. Where the results are positive, countries will be required to implement smart metering by 2020.

Looking ahead, automated and smart metering is forecasted to become a \$300 billion global market. Russia and Eastern Europe are looking carefully at the benefits the EU is achieving through smart metering and with this in mind, GM&T is talking to partners about supplying automated and smart metering services in Russia. We've already reached an agreement to supply smart meters for the 2014 Winter Olympics in Sochi, Russia.



**“Systems and capabilities developed over the last year have made us highly competitive in the world’s most developed markets”**

**Jon Larsen**  
**Executive Director of Global Oil, LPG and FX**

I'm very pleased that in difficult market conditions, we continued to grow our business, hire talented employees and successfully expand our activities in Oil, LPG and Foreign Exchange (FX) worldwide with positive contribution to the company results.

During the second half of 2010, we enhanced our capability to enter oil and LPG markets and in September we took delivery of our first physical cargo of oil. This represented a major milestone for us as all previous oil trading had been financial, paper-based transactions, trading around our underlying oil price exposure. This landmark trade paves the way for us to expand in physical oil trading activities in 2011. Activities in international oil and LPG markets support our analysis work, our ability to make the best decisions, and of course our ability to support our parent company.

By building our FX activities into a global business which operates 24/7, we manage our currency exposure. As we expanded our FX activities to our Houston and Singapore offices, we secured high focus on the financial markets on a global basis. Systems and capability developed over the last year have made us highly competitive in the world's most developed markets.

**We increased our net profit by nearly**

**£60 million**

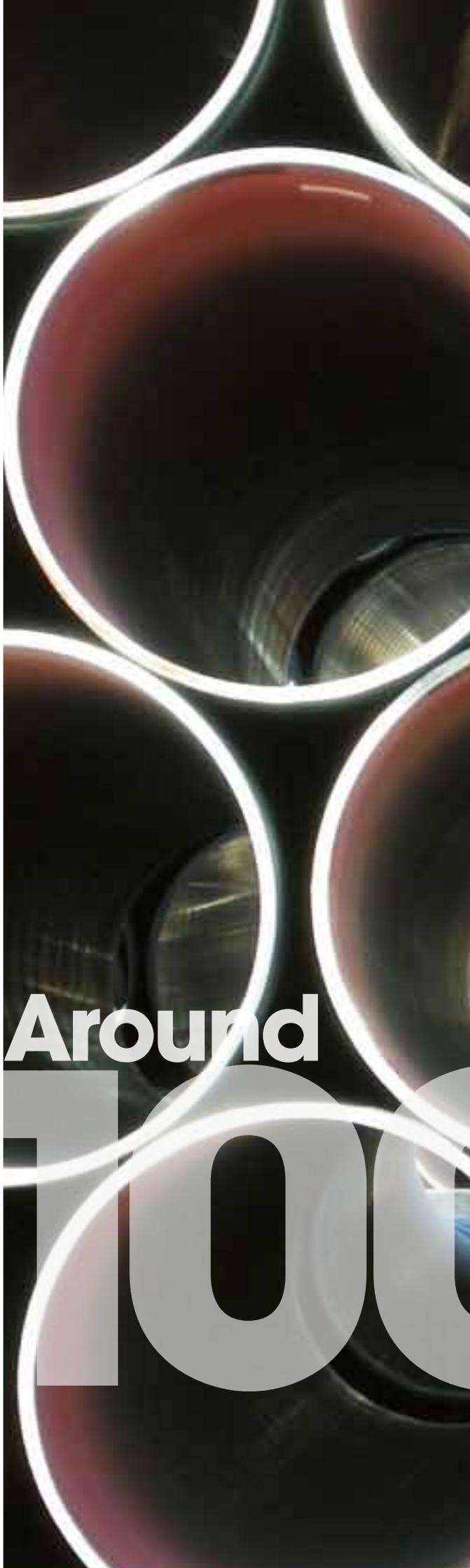
# Securing supplies

**Whether it involved supporting pipeline projects, expanding LNG operations or investing in gas storage, GM&T worked with Gazprom to build its long-held reputation as a reliable gas supplier to Europe – and ensure GM&T can provide energy commodities to our customers and counterparties, whenever and wherever they want it.**

We continued to work with partners on two major pipeline projects – Nord Stream, which will link Russia's and Northern Europe's gas transmission networks via the Baltic Sea, and South Stream, designed primarily to meet demand from South East and Central Europe once completed in 2015.

Gazprom export also signed an agreement with UK-based DONG Energy in 2010, under which Gazprom will deliver 1Bcm of natural gas from the end of 2011 following the completion of Nord Stream. A further 1bcm of gas will be supplied from 2012, while there's also an agreement in place that gives Gazprom export the opportunity to supply DONG Energy's British customers with up to 600mcm of natural gas a year from Ormen Lange, the giant Norwegian gas field.

LNG is an increasingly important form of gas and demand for it is growing from end-customers who cannot access gas via pipelines. Last year saw GGLNG continue to expand its operations to exploit this growing market, whether it involved cementing its position in traditional markets or securing deals to deliver cargoes to emerging markets such as Asia Pacific, Latin America and the Middle East. Gazprom already exports LNG as part of the Sakhalin II project in the Far East and in August last year, Sakhalin Energy delivered its 100th LNG cargo.



Around

1000

## Case study Nord Stream

It was a momentous year for Nord Stream. The natural gas pipeline, which will transport 55bcm of gas each year – enough to supply more than 26 million households – entered a new and exciting phase in April, when pipe laying began at the pipeline's starting point in Portovaya Bay off the coast of the Swedish island of Gotland.

This followed Nord Stream raising €3.9 billion from 26 banks last March, demonstrating strong support for the project from financial markets, despite tough market conditions.

The project's most successful development to date is the result of the joint efforts of companies from 11 countries including Gazprom, which together have worked on the ecological surveys, risk assessments, technical design and logistical challenges that such a complex project poses.

The first pipeline will begin transporting gas in late 2011 and in the same year, work will start on laying the second pipeline, due to be on stream by late 2012.

50000 pipes will be welded for the Nord Stream pipeline

## Securing supplies continued

We also continued to invest in extra LNG capacity as part of the Shtokman development project in the Arctic, with Shtokman Development AG's Board of Directors approving the way forward on the project.

### Plenty of storage

To ensure GM&T can supply gas to end-customers regardless of market conditions or adverse weather, we continued to invest in underground gas storage facilities including the Bergermeer Gas Storage project in the Netherlands, which will create Europe's largest gas-storage facility.

Across the Atlantic, GM&T USA entered into significant storage arrangements with two counterparties in the US. We acquired 1bcf of storage capacity for two-year-periods in Monroe Gas Storage and Bobcat Gas Storage, both of which are connected to key pipelines across the country. These deals complement the physical gas trading platform and increase our visibility in the US market.

The access that GM&T and its parent company have to gas, together with our ability to supply it – whatever the volatility of the market – has put us in a strong position to offer our counterparties and customers energy products to help them risk-manage their positions.

### Trading places

As well as taking steps to ensure physical gas supply, GM&T increased its capability in 2010 to help ourselves and our business partners comply with energy legislation – an essential exercise when it comes to entering new markets, especially with energy laws changing all the time.

Across the globe, energy regulators looked to change the way traded markets are regulated. In Europe, the EU passed the EU Third Energy Package aimed at making markets work better and securing supply. To ensure we keep pace with such legislative changes to energy markets, we expanded the size of our Regulatory Affairs department and strengthened our links with Gazprom export, so the two businesses can combine their expertise in trading and gas supply to work together to tackle compliance issues.

Such steps will help ensure that Europe, which has been our parent company's most important market for the past 40 years, can continue to rely on Gazprom for the foreseeable future.





**“Given the LNG market potential I was extremely pleased with GGLNG’s performance last year, which was exceptional”**

**Frédéric Barnaud**  
**Executive Director of LNG, Shipping and Logistics and Clean Energy and Managing Director of Gazprom Global LNG**

The LNG we trade currently represents around 2% of the overall Gazprom gas exports, making it a relatively small business within the group, but it’s one that will grow significantly in the coming years.

Traditional LNG markets in Asia Pacific such as Japan and Korea only rely on LNG as they cannot access pipeline gas, plus new markets are emerging in countries in the Middle East and Latin America. Argentina is planning to import 50 LNG cargoes this year – double the number last year. Kuwait, meanwhile, went from zero LNG imports two years ago to more than 40 cargoes imported in 2010. Demand for LNG is growing fast in India and China, as their gas infrastructure develops. We will remain an active player in such growth environments.

Given the LNG market potential I was extremely pleased with GGLNG’s performance last year, which was exceptional.

Last year also saw us leverage GM&T’s new Singapore office to expand our presence in Asia Pacific, completing a number of deals for LNG delivery into Japan, Korea, China and Taiwan to maximise the efficiency of our Sakhalin supply contract.

We also took steps to develop our shipping portfolio and managed to gain advantageous positions. Furthermore, we ensured that GGLNG provided a platform for developing Russian expertise in LNG and shipping matters.

# Going global

**New trading locations, a new subsidiary in Singapore and more than 200 new employees worldwide – 2010 saw GM&T expand its presence across the globe.**

## **Case study** **Singapore subsidiary**

GM&T's Singapore subsidiary performed tremendously well in its first year of operation. Launched on 29 March 2010, the new office is already fulfilling its role in helping us to diversify and extend our existing offering to Asia Pacific, while developing new, emerging markets in what is one of the major global hubs in commodities trading.

GM&T Singapore's LNG business brought in US\$ 152 million of gross margin and a portfolio of 19 Master Trading Agreements in 2010. These agreements have given us the platform to provide more LNG sales to the Asian market and support expansion of the region's gas market mandate in 2011.

GM&T Singapore's Carbon business performed extremely well, too, achieving strong penetration into the Asian market and closing 31 deals. The business also concluded several Memorandums of Understanding which will open up further opportunities for the joint development of Clean Development Mechanism (CDM) carbon reduction activities in 2011 and beyond.



## Going global continued

We recruited more than

# 2000

new permanent employees

We expanded our activities across Europe, laying the groundwork to trade and offer gas power and power tolling solutions in Greece, Turkey, Romania and several countries in the Balkans. This saw the number of locations that we can trade in rise from 162 to 182.

New markets mean we need employees to serve those markets, and in 2010 our permanent employees increased from 351 to 560 in number globally.

### Capital gain

The ongoing expansion of our workforce and our business led us to relocate our headquarters from Kingston-upon-Thames to central London in March 2011. The new state-of-the-art building, on a 13-acre site in the heart of the capital and within strolling distance of Regent's Park and London's West End, provides fantastic links to the north of England and GM&T's Manchester offices and the international offices.

On the other side of the world, GM&T Singapore opened for business in March last year, providing GGLNG with the ideal base from which to grow its working relationships with LNG suppliers and customers in the region. The Singapore office has already completed a number of spot-trading deals for LNG delivery into Japan, Korea, China and Taiwan, while also making an impact on the region's carbon market.





### Greater efficiency

We've also taken big steps to ensure that wherever our people are located, they can work with colleagues worldwide in a way that's joined up, efficient and effective. Last year saw the launch of the new Gazprom Global Trading Platform to streamline all our trading transactions, and the launch of the Gazprom Global SAP system to standardise and automate many processes across our functions – enabling our employees to spend less time on admin and more time on working with customers and counterparties.

We're confident we'll continue to expand our systems, workforce and global presence in the years ahead, but the past 12 months have shown that GM&T has already put itself firmly on the world's energy marketing and trading map.



**“We are a dynamic company where everyone can play a part in helping us to develop a solid platform for the future”**

### **Andrey Mikhalev Managing Director**

Our move to new headquarters in central London is a great sign for GM&T and a reflection of the company's growing maturity and success.

The new London office is a lovely building which gives us more space, top-class technical facilities and the latest marketing and trading systems. It also provides our people with a first-class working environment, while the opportunities for synergies between different departments will be much greater.

Our new Singapore subsidiary, meanwhile, is growing quickly and provides us with great potential for growing our business in Asia Pacific.

With offices around the globe employing people from more than 40 different nationalities, GM&T is a very cosmopolitan company. We want to create one culture since we are an integrated company, while at the same time embracing diversity and respecting local cultures.

Wherever our people work for GM&T, they're working in an environment where they can be personally involved in building our company. We are a dynamic company where everyone can play a part in helping us to develop a solid platform for the future.

To help our employees do this, we're developing new training and development courses for our staff which are second to none. We're also developing a talent management system so we can identify managers of the future and prepare them to move into management roles – and help safeguard the future of GM&T.

# Fuelling the future

From launching a biomass division to funding sustainability projects, last year saw GM&T underline its commitment to clean energy.

## Case study Biomass

Biomass is a carbon-neutral power fuel that's a clean alternative to coal – and GM&T was at the forefront of its development in 2010. Biomass is renewable organic matter such as virgin wood, sawmill residues and vegetables residues, burned in the generation of electricity and heat.

The market for biomass is only five years' old, but projected to be worth 25 million tonnes a year by 2017. Thanks to our Retail, Power and Carbon business units, GM&T is well-positioned to become a major player in this emerging market.

Last year we established a biomass division, which is developing a new form of the fuel – torrefied biomass – as a straight coal substitute which will compete with coal and carbon on price, without relying on additional subsidies. We've partnered with the world's first fully-operational torrefied wood operation in Thailand and are arranging full station tests with a number of utilities which could change the face of global biomass power generation.

The Clean Energy business market is  
reducing over

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Clean Energy is a complex and interesting market which continued to evolve in 2010, with carbon-reduction markets expanding to embrace clean technology. Although there's uncertainty over the carbon market post-2012 when the Kyoto Protocol expires, there's still commitment from the international community to tackle climate change and meet 2020 targets for emissions reductions – and Clean Energy is key to these goals being achieved.

To help our customers and counterparties meet these targets, we found innovative ways to generate carbon credits, supporting and financing new and exciting Clean Development Mechanism (CDM) projects around the world.

We provided funding for a conservation project on the Rimba Raya Biodiversity Reserve in Central Kalimantan, on the Indonesian island of Borneo. The funding allowed the project to be validated against the first ever methodology for the Reduction of Emissions from Deforestation and Degradation (REDD) under the Voluntary Carbon Standard programme, the leading international standard for voluntary emission reduction credits.

### Range of Clean energies

GM&T also continued its carbon financing of a variety of renewable power projects, purchasing carbon credits from wind farms in Mexico and China aimed at providing clean power in both countries. In Madagascar, GM&T is developing a solar panel lighting project which involves the distribution of photovoltaic (PV) kits to thousands of homes.

And we made significant progress in our efforts to develop and trade sustainable biomass in the coming years as a carbon-neutral fuel. Together these projects will help GM&T achieve its goal of becoming a one-stop-shop for end-consumers looking to offset emissions.

Last year also saw us become more involved in various national cap-and-trade schemes for reducing carbon emissions, and we intend to build upon this activity in 2011 and beyond, ensuring GM&T is not only a reliable energy trader but a responsible one too.

## All change in China

It was a year of firsts for GM&T in China, where we made significant breakthroughs in our efforts to provide energy solutions and trade carbon in the world's fastest-growing economy.

We purchased carbon credits from two Programmes of Activities and became the first company to be granted the right by the Chinese Government to buy credits beyond 2012.

These Programmes involve the installation of domestic biogas digesters to displace coal burned for cooking, greatly improving cooking conditions in thousands of homes.

We also became the first company to carry out transactions on the China Beijing Environmental Exchange and the Energy Intensity Cap-and-Trade Scheme, launched by the Tianjin Municipal Government. GM&T helped the Tianjin scheme get off the ground by buying Carbon Emissions Allowances (CEA) through the scheme – China's first market-based mechanism to achieve energy and carbon-intensity reductions, and the world's first such scheme to target the building sector.

And last October, GM&T agreed to purchase all carbon credits from a proposed CDM wind power project owned by Datang group in Fujian Province. The purchase is expected to reduce emissions by over 125,000 tonnes of CO<sup>2</sup> by the end of 2012, by replacing electricity generated by fossil-fuel-fired power plants.

manages a portfolio of emission reduction projects

20 million tonnes of CO<sup>2</sup> across the world

## Summary financial review



**Executive Director of  
Global Finance**

### **Alexey Selikhov, Executive Director of Global Finance, reflects on a successful 2010 and looks forward to the years ahead.**

From a financial and commercial perspective 2010 was a year of significant achievements. We surpassed our target for 2010, increasing our net profit after tax to £174.2 million compared to £114.8 million in 2009. This was achieved in a year that was challenging for lots of trading companies worldwide due to a lack of volatility, which created a tough economic environment.

#### **Diversified model**

Our diversified commodity and business model began to pay off in 2010, yielding significant returns. It was an extremely successful year, especially for our LNG, Trading and retail businesses.

It was a challenging year for our Carbon business, due to uncertainty after the Copenhagen Climate Summit and damaging legislative investigations. Nonetheless our targets were still achieved.

Global market conditions in 2010 were generally flat. Due to low commodity price volatility in European energy markets in particular, our ability to generate value by monetising our assets on traded markets was challenged.

#### **Significant deals**

There were also good contributions from other parts of the business, and some significant deals done during the year, such as the agreement to support the pioneering Rimba Raya Biodiversity Reserve REDD (Reducing Emissions from Deforestation and Forest Degradation) project in Indonesia. Such projects are both profitable and good for the environment.

Towards the end of 2010, GGLNG signed an agreement with Gaz de France for the supply of LNG from Egypt.

In Retail, there was continued expansion and the acquisition of TruRead was completed, paving the way for us to create GGES— another example of our commitment to efficiency, innovation and new technology.

#### **Singapore**

The Singapore office which GM&T opened in 2010 is strategically important. From a global point of view it has completed our global trading coverage. We now have three strong global trading hubs— London, Houston and Singapore.

**“There is a continuing focus on the increased efficiency of our support functions to help us manage the complexity of our growth.”**

Singapore set up new infrastructures and systems as well as established new relationships with a wide array of trading counterparties. We also started trading carbon, set up foreign exchange trading and financial oil, so with globally traded products we can now trade 24/7.

#### **Eastern Europe**

We made several deals in Eastern Europe in 2010, including those for exporting power from Ukraine and Moldova into European countries. We want to create demand for gas and power in Eastern and South Eastern Europe. This market is in the process of liberalisation – it is less advanced than other areas – and we want to bring our knowledge into this arena. It’s part of our overall strategy to have the ability to transact in every European country.

We are creating the platform for the optimization of the flow of gas and power across Europe. We want to expand our presence throughout the continent and create additional demand for Gazprom gas.

#### **USA**

2010 was a very challenging year in the US due to low volatility, but we continued to consolidate and grow our presence in the country, working with a number of counterparties to continue our expansion. We have a great team dedicated to marketing and trading activities in what is the world’s largest energy market and we are proud to be considered one of the 20 biggest suppliers of gas in this market.

#### **Looking ahead**

We updated our five-year business plan. We have ambitious profit targets and will continue to expand the company in terms of geography and products such as physical oil and biomass. We will consolidate and further develop as a business, with value creation for the Group at the heart of our increased profitability.

There is a continuing focus on the increased efficiency of our support functions to help us manage the complexity of our growth. Standardisation and ongoing review of processes makes them more efficient, robust and controllable – efficiency is the key platform for growth in the next four to five years, along with creating synergies for our businesses.

Three areas are important for our development and growth – our market penetration and expansion, our internal structures and efficiency, and integration with our parent company.

Our expansion will continue – not just in gas, but also power and oil. The markets remain difficult, but GM&T now has the structure in place to facilitate our future growth.

## Group highlights

The Group increased its total equity from

**£258.9 million to**

Net profit after tax has risen

**Net income  
increased by**

**5**

**8 years** in

**LNG sales  
volumes  
rose by**

**33%**

**to over  
2,500mcm**

Power sales rose by

**2**

**£432.5 million**

**1%** from **£238.7 million**  
to **£359.9 million**

Gas sales volumes rose by

succession

**63%**

to over **60mcm**

**1%**

to more than **35Twh**

## Board of Directors



**Alexander Medvedev**  
Deputy Chairman of OAO  
Gazprom Management  
Committee, Director General of  
OOO Gazprom export

Alexander Medvedev  
has been the Chairman  
of the Board of Directors  
of Gazprom Marketing &  
Trading since 2004

“In 2011, GM&T will continue its expansion into new commodities such as oil, LPG, FX and biomass as well as new markets across the globe, while continuing to build alignment with the Gazprom group to help us achieve our strategic goal and further enhance our energy offering.”



**Andrey Kruglov**  
Deputy Chairman of OAO  
Gazprom Management Committee,  
Head of the Department for Finance  
and Economics of OOO Gazprom  
export

Andrey Kruglov has been  
on the Board of Directors  
of Gazprom Marketing &  
Trading since 2009

“GM&T’s impressive financial results, along with its growing list of counterparties and customers, underline that we’re continuing to grow in a rapid but responsible way, giving us the perfect platform from which to fulfil our goal of becoming the world’s leading energy marketing and trading company.”



**Hans-Joachim Gornig**  
Director

Hans-Joachim Gornig  
has been on the Board of  
Directors of Gazprom  
Marketing & Trading  
since 2004

“Whether it involves working together to create trading opportunities in new markets or negotiate gas transmission and storage deals, GM&T and Gazprom Germania have developed a relationship that will help us provide energy consumers with the products and solutions they need.”



**Yuri Komarov**  
Director

Yuri Komarov has been on the Board of Directors of Gazprom Marketing & Trading since 2004

“With LNG becoming an increasingly important market for the Group, the work that GM&T and GGLNG are doing together to develop the Shtokman and Sakhalin projects, and invest in extra LNG capacity, will help us capitalise on opportunities in this market.”



**Vitaly Vasiliev**  
Chief Executive Officer

Vitaly Vasiliev has been the Chief Executive Officer of Gazprom Marketing & Trading since 2004

“I expect us to build on our success in 2010 and beyond, enabling us to achieve our target of becoming the leading marketing and trading company in the global energy markets. And thanks to our commitment to developing clean energies, we can be relied on to provide energy not only now but in the future, too.”



**Andrey Mikhalev**  
Managing Director

Andrey Mikhalev has been the Managing Director of Gazprom Marketing & Trading since 1999

“Our success in 2010 means we’re in a stronger position than ever to attract the best talent worldwide. GM&T’s biggest asset is its people and if we build the right teams working in the right environment, we will get to where we want to be.”

## Key performance indicators

Key performance indicator	2010	2009	Change
Net Income (£m)	359.9	238.7	+ 51%
EBITDA (£m)	233.7	166.2	+ 41%
EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation).			
Net Profit after Tax (£m)	174.2	114.8	+ 52%
Cash generated from operations (£m)	213.3	112.2	+ 90%
Return on Equity	50%	46%	+4 percentage points
Return On Equity is calculated as annual Net Profit divided by average Equity expressed as a percentage.			
Gas sales volume (million m <sup>3</sup> )	60,779	37,279	+ 63%
LNG sales volumes (million m <sup>3</sup> )	2,513	1,887	+ 33%
Power sales (TWh)	35.1	28.9	+ 21%
Number of products	8	7	+ 1
The number of commodity products in which the Group actively participates.			

## Income statement Year ended 31 December 2010

	Notes	Group		Company	
		2010	2009	2010	2009
		£'000s	£'000s	£'000s	£'000s
Continuing operations					
Trading activities:					
Net trading income		317,514	225,532	160,862	162,606
Non-trading activities:					
Revenue		601,073	365,146		
Cost of sales		(558,728)	(351,985)		
Gross profit from non-trading activities		42,345	13,161	—	—
Net income		359,859	238,693	160,862	162,606
Administrative expenses	5	(130,285)	(76,054)	(89,416)	(56,663)
Operating profit	5	229,574	162,639	71,446	105,943
Investment revenue	6	747	1,055	9,968	778
Finance costs	7	(6,469)	(1,689)	(6,109)	(1,348)
Profit before tax		223,852	162,005	75,305	105,373
Tax	9	(49,669)	(47,248)	(19,656)	(30,623)
Profit for the financial year		174,183	114,757	55,649	74,750
Profit attributable to:					
Owners of the parent		174,204	115,025	55,649	74,750
Non controlling interests		(21)	(268)	—	—
		174,183	114,757	55,649	74,750

## Balance sheet 31 December 2010

	Notes	Group		Company	
		2010 £'000s	2009 £'000s	2010 £'000s	2009 £'000s
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	11	1,926	1,926	—	—
Intangible assets	11	16,626	2,381	15,577	1,181
Property, plant and equipment	12	28,239	14,075	25,144	11,435
Derivative financial instruments	20	218,940	140,021	213,409	143,443
Investments in subsidiaries	13	—	—	19,210	14,506
Deferred tax asset	18	479	7,556	—	—
Trade and other receivables	15	23,432	—	30,228	—
		289,640	165,959	303,568	170,565
<b>Current assets</b>					
Inventories	14	85,111	85,905	77,653	85,659
Trade and other receivables	15	601,880	590,744	500,774	538,391
Derivative financial instruments	20	741,708	603,818	716,408	624,601
Cash and cash equivalents	16	298,020	112,451	153,295	54,726
		1,726,719	1,392,918	1,448,130	1,303,377
<b>Total assets</b>		<b>2,016,359</b>	<b>1,558,877</b>	<b>1,751,698</b>	<b>1,473,942</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	17	557,225	578,407	457,634	513,506
Derivative financial instruments	20	677,038	535,021	698,978	538,955
Current tax liabilities		24,347	25,526	8,865	19,524
Loans and overdrafts	17	133,397	48,052	132,173	48,052
		1,392,007	1,187,006	1,297,650	1,120,037
<b>Net current assets</b>		<b>334,713</b>	<b>205,912</b>	<b>150,479</b>	<b>183,340</b>
<b>Non-current liabilities</b>					
Trade and other payables	17	24,074	357	23,669	—
Derivative financial instruments	20	158,916	112,616	161,497	112,626
Deferred tax liabilities	18	8,885	19	723	81
		191,875	112,992	185,889	112,707
<b>Total liabilities</b>		<b>1,583,882</b>	<b>1,299,998</b>	<b>1,483,539</b>	<b>1,232,744</b>
<b>Net assets</b>		<b>432,477</b>	<b>258,879</b>	<b>268,158</b>	<b>241,198</b>
<b>Equity</b>					
Ordinary share capital	21	20,000	20,000	20,000	20,000
Cash flow hedge reserve		21,230	(8,194)	—	—
Foreign currency translation reserve		13	(1,610)	—	—
Non controlling interests		—	—	—	—
Retained earnings		391,234	249,179	248,158	221,198
<b>Equity attributable to:</b>					
Owners of the parent		432,477	259,375	268,158	241,198
Non controlling interest		—	(496)	—	—
<b>Total equity</b>		<b>432,477</b>	<b>258,879</b>	<b>268,158</b>	<b>241,198</b>

These financial statements of Gazprom Marketing & Trading Limited (registered number 3768267) were approved by the Board of Directors and authorised for issue on 7 March 2011.

Signed on behalf of the Board



A. V. Mikhalev  
Director



V. V. Vasiliev  
Director

## Statement of comprehensive income after Statements Year ended 31 December 2010

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Profit for the financial year	174,183	114,757	55,649	74,750
Cash flow hedges:				
Gains/(losses) arising during the period	29,082	(11,381)	—	—
Gains/(losses) on foreign currency translation	1,420	(1,395)	—	—
Tax on items taken directly to equity	(7,852)	3,187	—	—
<b>Net profit recognised directly in equity</b>	<b>196,854</b>	<b>105,168</b>	<b>55,649</b>	<b>74,750</b>
<b>Transfers</b>				
Transferred to profit or loss on cash flow hedges	11,381	14,322	—	14,322
Tax on items transferred from equity	(3,187)	(4,010)	—	(4,010)
<b>Total comprehensive income for the year</b>	<b>205,048</b>	<b>115,480</b>	<b>55,649</b>	<b>85,062</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	205,069	115,748	55,649	85,062
Non controlling interests	(21)	(268)	—	—
	<b>205,048</b>	<b>115,480</b>	<b>55,649</b>	<b>85,062</b>

The summary above is extracted from GM&T Group's 2010 Annual Report and Consolidated Financial Statements.

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These expressions are also used where no useful purpose is served by identifying specific companies.