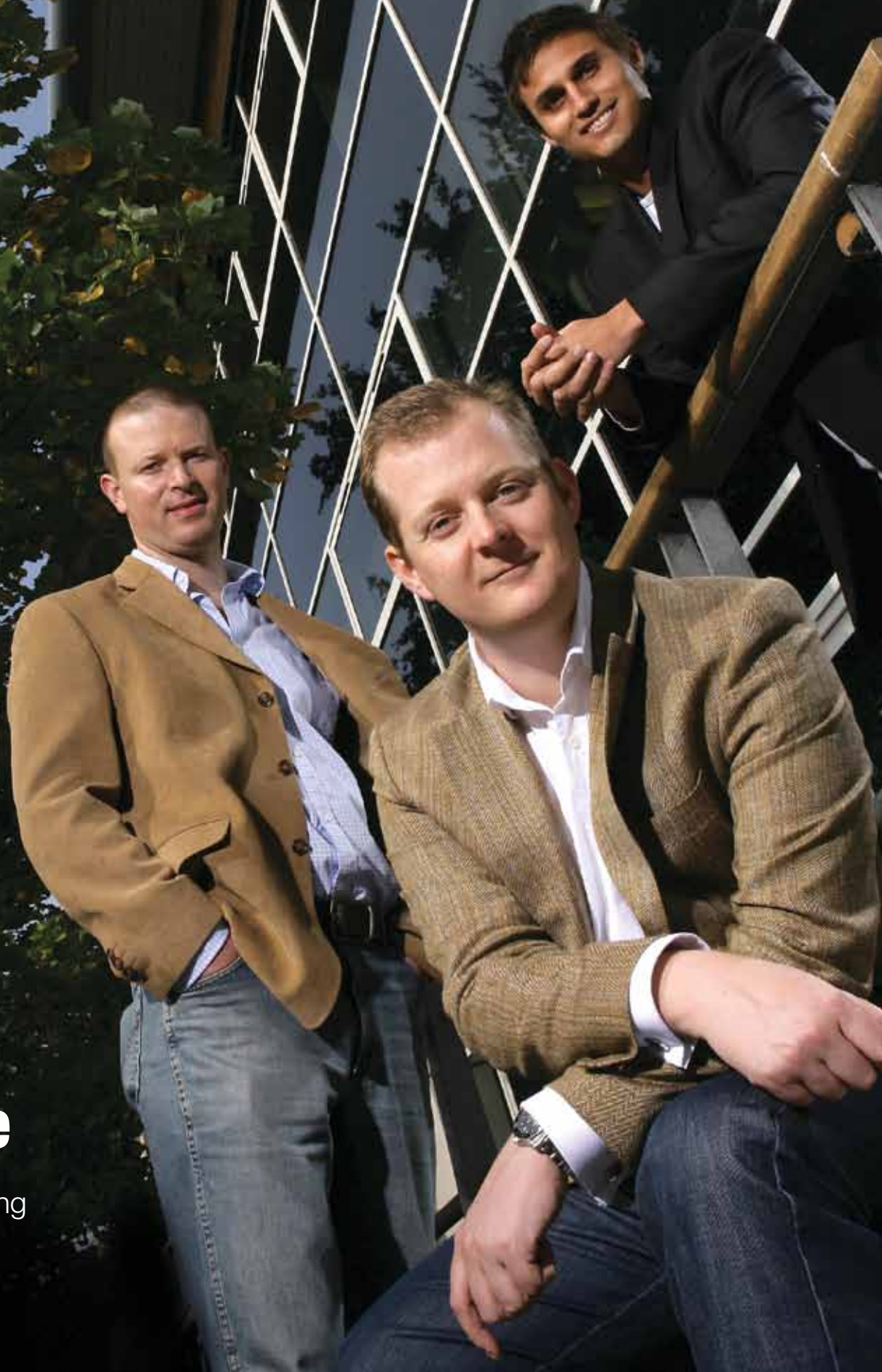


THE MAGAZINE FOR GAZPROM MARKETING & TRADING CUSTOMERS
ISSUE 2

GM&T

Making the trade

Meet GM&T's Trading
Capability team





Powering ahead

Welcome to the second edition of *GM&T Magazine*. Since Issue 1 was published, we have celebrated, with customers and counterparties, the milestone of a decade since opening for business in London.

We have also continued our vigorous growth, selling new products, entering new markets and strengthening our functional capabilities.

In this issue, you will read about our entry into the UK retail power sector (page 9) and see how our US subsidiary in Houston is gearing up to the challenge of becoming a player in the world's biggest energy market (page 14).

We also take a look at the role of risk management in today's trading environment and spotlight the work of our Trading Capability team (page 12).

Finally, as debate intensifies about our energy security in the future, we include an update on the 7.5 billion euros Nord Stream project (page 6), designed to supply 55 bcm of gas annually through a 1,223km pipeline to Western Europe.

I hope you enjoy reading *GM&T Magazine*. Please do not hesitate to contact us if you have any comments or suggestions about our magazine at info.pr@gazprom-mt.com.

Andrey Mikhalev
Managing Director
Gazprom Marketing & Trading

WE HAVE CONTINUED OUR VIGOROUS GROWTH

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Taking the lead

GM&T Chief Executive Officer Vitaly Vasiliev answers questions about the company's strategy for the next 10 years, after a successful first decade in the UK

Q: Celebrating 10 years in the UK, and a tenfold increase in profitability, has been a very significant milestone for GM&T, but how do you see the next phase in the company's journey?

A: Undoubtedly, 2009 was very symbolic for us, as in 10 years we grew from being a one-man office in Richmond to a team of 300, with global presence and multi-commodity trading capability, but the real challenge is only just beginning, as we plan our business strategy for the next five years.

I see those years brimming with opportunities, with GM&T positioned to make major strides forward.

Q: And what is your business strategy?

A: It is all about vision and value. Our vision is to become the leading marketing and trading company in global energy markets. Alongside this, we aim to make a real impact in terms of delivering value for our customers and shareholders.

While we can all feel great pride in what we have achieved to date, we have to remember that we are part of one of the

world's biggest energy companies and I want to see us continue on our current growth trajectory until we are seen to make a much bigger contribution to Gazprom's global revenues.

This growth will enable us to continue to invest in the very best in class in terms of people, systems and processes.

IT IS ALL ABOUT VISION AND VALUE. OUR VISION IS TO BECOME THE LEADING MARKETING AND TRADING COMPANY IN GLOBAL ENERGY MARKETS

Q: These are ambitious goals – how will you achieve them?

A: We will achieve them by building real presence in all our markets as we become a recognised and respected player across the industry. We want to be positioned on all continents and present in all energy products.

Q: While your focus is on the next five years, the significance of GM&T's 10th anniversary must prompt you to look forward to 2019.

A: I see absolutely no reason why we cannot be a core part of the Gazprom Group in 10 years' time. As world energy markets liberalise more, GM&T has a strong future as the commercial heart of the group.

Our aim is to carry on building world-class entrepreneurial, trading and marketing skills, and to continue adding value to all group and customer commodity flows and infrastructure.

Q: This sounds like a very ambitious plan.

A: We are under no illusions that we are setting ourselves some tough challenges. But I firmly believe that, based on our recent performance, and by continuing to build our world-class team and market networks, we will be more than able to meet our targets.

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Enter the Dragon



GM&T agrees collaborative ventures with Petgas Trading

Representatives from GM&T, BG Group and Petgas Trading UK on-board the Arctic Princess

On 7 October 2009, during the 24th World Gas Conference in Buenos Aires, GM&T and Petgas Trading (UK) Limited, the London-based subsidiary of Malaysian oil and gas multinational Petronas, announced a number of collaborative ventures.

The exciting collaboration initially focused on opportunities related to the Dragon LNG terminal at Milford Haven, Wales in which Petgas Trading (UK) Limited has a 50 per cent share of the LNG regasification capacity. The terminal, which started its commercial operation on 1 September, can supply up to 6 billion cubic metres of LNG imports annually, enough to supply around five per cent of the annual gas consumption of the UK.

The downstream Master Agreement, which specified the terms and conditions

for the offtake of the Dragon LNG by Gazprom, was executed by GM&T's Chief Executive Officer Vitaly Vasiliev and Medan B Abdullah, Chairman of Petgas Trading. Petronas' 20 years of experience of the LNG business value chain clearly adds value to GM&T's strong position as a leading gas trader in the UK and European gas markets. Vitaly Vasiliev says: "This agreement further enhances the utilisation



From left to right: Frederic Barnaud, Director, Gazprom Global LNG, Medan B Abdullah, Chairman, Petgas Trading and Vitaly Vasiliev, GM&T Chief Executive Officer, at the signing

of the Dragon terminal. A greater diversity on the supply side will also ensure the security of gas supplies to the UK."

Gazprom Global LNG has supplied two cargoes into the Dragon LNG terminal, including Petgas' commissioning cargo, which was loaded on the Arctic Princess in August and the terminal's first commercial LNG delivery in early September. A number of further LNG cargoes are now planned this coming winter and into 2010.

Building commercial value

The global growth of GM&T's business will provide many new opportunities to deliver real value to customers and shareholders, says GM&T's Commercial Director, Keith Martin.

"When I joined GM&T four years ago, we were still quite small, but we knew that we had a model that could deliver scalable growth. Since then, we have seen the business grow to 10 times its size, returning at least 30 per cent on equity annually. What is more, as we grow, we continue to see more and more new opportunities to build value."

Having built a centre of excellence for energy trading in London, the commercial approach has been to apply dynamic, creative solutions across geographical markets and commodity sectors. GM&T's growing global platform – now with subsidiaries in the USA, Paris and Berlin – offers rich opportunities to build synergies.

"In the form of GM&T USA, for example, the group is able to grow our trading expertise to new markets, while recruiting local regas experts who will, in turn, add their knowledge and experience to the rest of the group," says Keith. "The combination of leveraged pipeline swaps and long-term LNG swaps gives GM&T USA a physical, diversified supply. This, in turn, will bring more competition to the North American market."

GM&T's creative commercial approach has also seen the addition of new commodity trading desks, again offering more flexible services to our customers. Keith sees the company's growth in the years ahead being as spectacular as the last four:

"As we continue to build our global infrastructure we will gain more access to new markets and create new opportunities. It's rather like feeling you have reached the summit of Everest, only to discover that you are still at base camp one."

Like mountaineering, GM&T's road ahead may be littered with challenges and obstacles, but Keith firmly believes that the company is well positioned to scale the heights of the global energy industry.



Keith Martin



Top award for legal team

GM&T's Legal Department (pictured) has been named In-house Legal Team of the Year 2008 by *Petroleum Economist* magazine.

There was strong competition from legal departments of major energy companies for this prestigious award and the team was assessed against a set of challenging criteria.

"We are really pleased to win this award as it recognises legal excellence as well as a significant contribution to the energy industry," says GM&T's Managing Director Andrey Mikhalev. "Our performance as a fast-growing company in recent years could only have been achieved by strong teamwork between our front office and our professional functional teams."

Ten reasons to celebrate



Counterparties and customers joined GM&T's management for a special celebration dinner to mark the company's 10th year in the UK. In keeping with the birthday theme, the gala dinner was held at London's historic Lancaster House, a former royal residence close to Buckingham Palace.

Guests enjoyed warm hospitality and were thanked for their support over the last decade. In true GM&T style, they were treated to a memorable evening and each was presented with a specially commissioned book detailing the company's journey since 1999, when Managing Director Andrey Mikhalev first opened a small office in Richmond. The photos (left) show GM&T's guests enjoying this special evening.

Full stream ahead

Europe needs new sources of natural gas to maintain economic growth and meet growing energy demand – which is where the Nord Stream Pipeline comes in

More than a thousand kilometres long, the Nord Stream Pipeline through the Baltic Sea will bring large volumes of much-needed gas to the European Union (EU), directly from the vast reserves in Russia.

The 1,223 kilometre-long pipeline has become a priority because domestic supplies of gas in Europe are dwindling and demand is rising. Natural gas already meets about a quarter of Europe's primary energy needs. But the European Commission (EC) predicts a growing gas import gap of about 200 billion cubic metres (bcm) a year by 2025, resulting from rising demand at a time of declining production. This is why the European Union (EU) has made the development of a new gas supply infrastructure a priority.

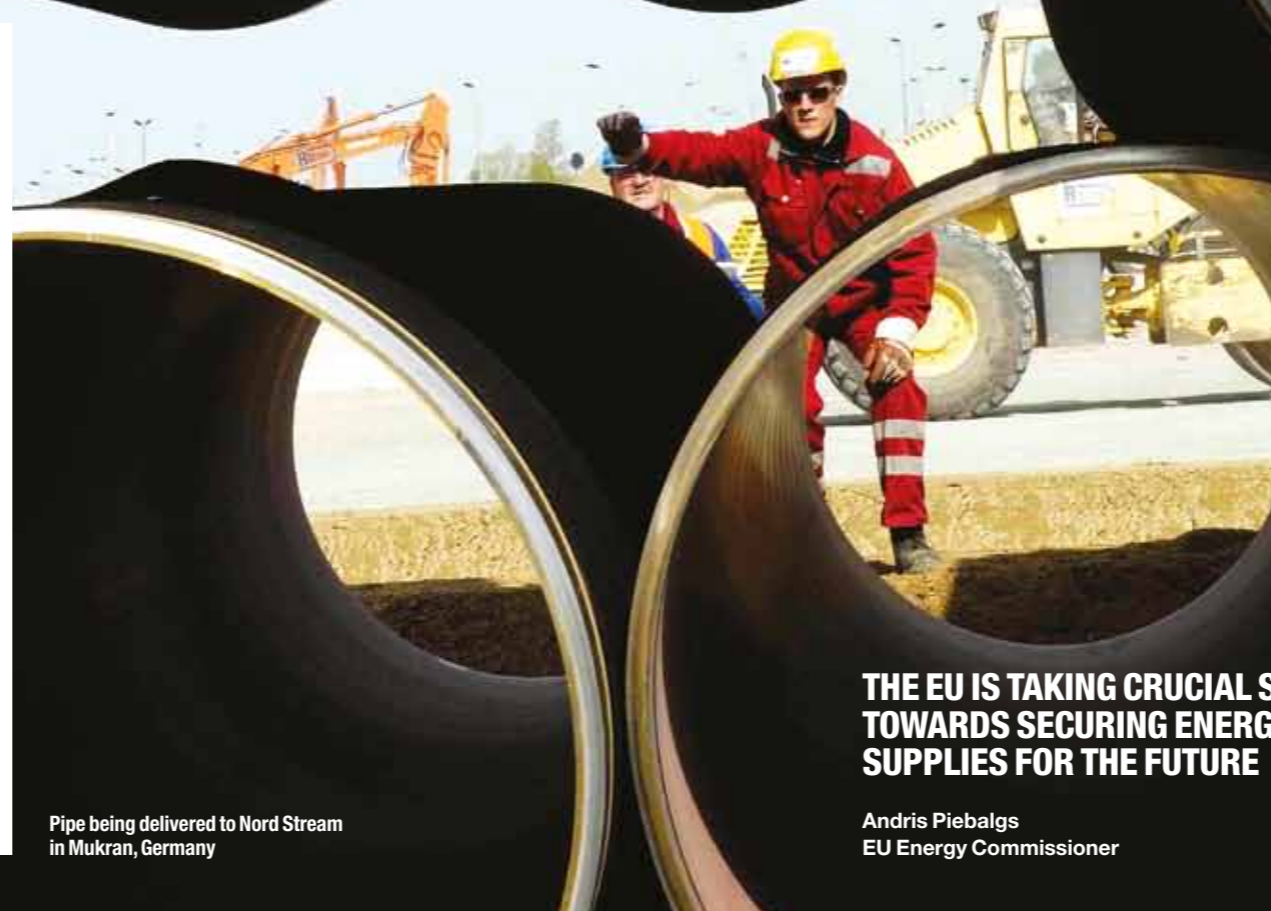
Nord Stream will provide about 55 bcm of gas annually when its two parallel pipelines become fully operational by 2012. That

is enough to fill about a quarter of Europe's natural-gas import gap by 2025, and enough to satisfy the gas demand of about 26 million European households.

By the end of 2011, the first of the two parallel pipelines will already supply 27.5 bcm a year. From its landing point in Lubmin, near Greifswald on the northern coast of Germany, gas will be piped via the European gas network to where it's needed most – Germany, Denmark, the UK, the Netherlands, Belgium, France, and the Czech Republic.

While Nord Stream is not the only import-gas pipeline planned for Europe, it is currently one of the most advanced. No other major new pipeline with a capacity of over 10 bcm is expected to be operational before 2015.

Recognising the importance of Nord Stream to the overall European energy mix, the European Parliament and Council designated



Pipe being delivered to Nord Stream in Mukran, Germany

THE EU IS TAKING CRUCIAL STEPS TOWARDS SECURING ENERGY SUPPLIES FOR THE FUTURE

Andris Piebalgs
EU Energy Commissioner

the pipeline as a project of "European interest" in 2000 under its Trans-European Energy Networks guidelines. In July 2009, EU Energy Commissioner Andris Piebalgs reaffirmed the importance of new gas routes for Europe, stating: "The European Commission has always been favourable to Nord Stream. With the progress being made in this project... the EU is taking crucial steps towards securing energy supplies for the future."

The current estimate for the total cost of building the Nord Stream Pipeline is 7.4 billion euros. It will be constructed at no cost to the European taxpayer. In fact, Nord Stream's shareholders are investing 30 per cent of the total budget, while the remaining amount will be financed externally through limited recourse finance, including banks and export credit agencies. Contracts for all finance for the first phase of the project are expected to be concluded by the end of 2009.

The Baltic Sea, surrounded by nine countries, is a unique ecosystem. It is used commercially for shipping, tourism, fishing and production of raw materials by all of the surrounding countries. Cooperation of all nine countries is of great importance in providing a balance between sustainable commercial use and safeguarding the Baltic Sea's ecosystem. The Nord Stream Pipeline enters the sea near Vyborg in Russia and reaches land in Germany. As the pipeline passes through the territorial waters or the Exclusive Economic Zones of Russia, Finland, Sweden, Denmark and Germany, permits to build and operate the pipeline must be obtained from each of these countries. Because other countries around the Baltic Sea could also be affected, the international consultations include Poland, Lithuania, Latvia and Estonia.

On 20 October, Nord Stream received the approval from Denmark's Energy Authority to construct the pipeline in Danish waters. On 5 November, Sweden and Finland granted permits to utilise their Exclusive Economic Zones (EEZ) for the pipeline. >>

7.4 billion

THE CURRENT ESTIMATED TOTAL COST IN EUROS OF BUILDING THE NORD STREAM PIPELINE

1,223

THE LENGTH OF THE NORD STREAM PIPELINE IN KILOMETRES

55

THE NUMBER OF BILLION CUBIC METRES OF GAS THAT THE PIPELINE WILL SUPPLY ANNUALLY



Environmental impact

National legislation generally requires an Environmental Impact Assessment (EIA) to be completed as a prerequisite for a national permit. In addition, Nord Stream has commissioned its Espoo Report that describes the potential environmental impact along the entire pipeline route. The report is a requirement under the Espoo Convention adopted by the United Nations Economic Commission for Europe in 1991.

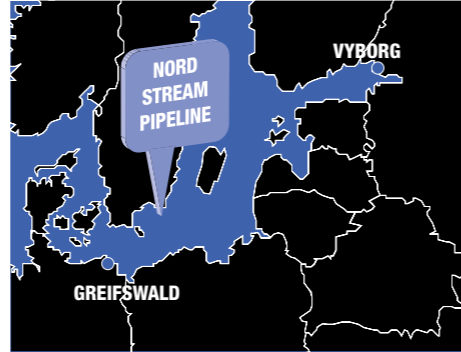
The national EIAs and the Espoo Report are based on a broad range of surveys, as well as on data about the Baltic seabed and the ecosystem from experts and research institutions commissioned by Nord Stream. These surveys were also used to define

the pipeline's optimal route from technical, environmental and economical standpoints.

Pipeline corridor

The pipeline corridor was studied for nearly five years, and 100 million euros have been invested in surveying and planning the optimal route and studying the potential environmental impacts of the pipeline's construction. The surveys have contributed to one of the most comprehensive investigations of the ecosystem of the Baltic Sea, involving an international team of scientists and engineers.

Nord Stream is confident that it will receive the necessary national permits by the end of 2009, with construction starting in 2010.



What is Nord Stream?

Nord Stream AG is an international consortium of four major companies – OAO Gazprom, Russia (51 per cent); BASF/Wintershall Holding AG, Germany (20 per cent); E.ON Ruhrgas AG, Germany (20 per cent) and N.V. Nederlandse Gasunie, Netherlands (9 per cent).

The combined experience of these energy companies ensures the best technology, safety and corporate governance for the project.

Nord Stream is a gas transportation company. Its business model is to build and operate a secure and environmentally safe natural gas pipeline to ensure reliable and secure natural gas supply for Europe. Nord Stream will generate its revenues from transport fees. For the operational phase, Nord Stream has developed an operations concept and security systems to ensure the safe operation of the pipelines throughout their lifetime.

Nord Stream employs about 160 experts from 20 countries at its headquarters in Zug, Switzerland.



Global gas reserves in billion cubic metres

2012

THE YEAR WHEN NORD STREAM'S TWO PARALLEL PIPELINES WILL BECOME FULLY OPERATIONAL

4

THE NUMBER OF MAJOR COMPANIES IN THE NORD STREAM AG INTERNATIONAL CONSORTIUM

Power base



WE WANT TO BE MORE THAN SIMPLY A POWER RETAILER. THERE ARE SO MANY OPPORTUNITIES IN TODAY'S ENERGY INDUSTRY

James Constant
Head of GM&T Retail Power

New offices, new customers and new goals – GM&T's new Retail Power team has hit the ground running

It is only a few months since GM&T entered the UK's retail power market, but the business is off to a flying start. Led by James Constant (pictured), the team is based in new offices in Solihull, 12 miles from the centre of Britain's second city, Birmingham.

James says it is the ideal location, halfway between the trading headquarters in Kingston and the GM&T Retail head office in Manchester, close to an international airport and with excellent rail links. The area is also very well connected in terms of the energy industry, with many of the major players located nearby.

James, who hails from the region, is passionate about the charms of the English Midlands and Birmingham in particular, but he also sees the office as an ideal springboard for growth: "This area is a centre of excellence for the energy industry and we have space here to grow our business. There are so many opportunities in today's energy markets that I feel certain that the next five years will see growth in many directions."

The business started trading in May this year, and James and his team have already

built a customer list of 50 clients, supplying more than 600 premises of leading brands such as Hertz, Stannah Stairlifts and the De Vere Hotels group, as well as a host of smaller businesses, including high-street shops, historic houses and offices.

"The great thing about becoming part of the GM&T group is the huge enthusiasm and expertise that exists within the company, which creates a real synergy," says James.

"Coupled with this, we are sharing the unique sales platform and trading capability that helped to build such a successful gas retail arm, giving us access to brokers and partners with whom Gazprom enjoys a very strong reputation."

Established brand

James adds that being part of Gazprom, one of the world's leading energy brands, is also a huge benefit: "Although Gazprom is best known as a gas company, we have had huge interest and support from the power market, where we are bringing much-needed competition.

"The growth of GM&T and its positioning as an innovative energy company has undoubtedly helped us to launch the power retail business successfully in the market."

James arrived at GM&T having been Chief Operations Officer of Midlands-based and leading independent energy supplier BizzEnergy. "I was invited to join GM&T to start a Retail Power business and put together a strong team from the previous business," says James. "We haven't looked back since."

The breadth of GM&T means that the team has been able to establish excellent working relationships with colleagues throughout the company, from the trading desk in Kingston to the gas retail operation in Manchester.

Add the support of world-class finance, risk and IT systems, along with a network of offices outside the UK, and the business is poised to grow quickly.

James explains: "We have a very ambitious business plan. GM&T's trading capability and market access will enable us to build a scalable business model.

"We want to be more than simply a power retailer. There are so many opportunities in today's energy industry – for example, the growth of green energy, and smart metering – which provide great niche opportunities from which we are ideally positioned to benefit.

"Then there is the wider vision of possibilities in vertical integration of generation, supply, metering and, in the future, a world of smart grids and genuinely intelligent energy usage. These may be early days for us, but we have a lot of ambition."

Open markets

James is also keen to follow in the footsteps of GM&T's gas-retail experts in the search for new geographical markets as they open up to competition. "We are selling gas in Ireland and looking closely at other countries. There is no reason why we can't also supply retail electricity to those markets and beyond."

The new office, situated in a 'green' business park, may be in a leafy suburb, but it is close enough to Birmingham for James to enjoy the city's cultural highlights, from thriving orchestras and ballet to the superb concert hall and newly-rebuilt town hall. Once one of the world's leading industrial centres, Birmingham could now be home to a new power revolution.



Planet Gazprom

What's it like working for GM&T? We asked employees around the world about their jobs and where they're based



Luke Dalley
Forecasting and Pricing Assistant, GM&T Retail Power, based in Solihull

How long have you worked for GM&T?
Since earlier this year, when we moved into our new office in Solihull and started trading in May.

Describe a typical day in your job.

It could be loading the electricity pricing curve for the sales team in Manchester to price against, comparing today's pricing against yesterday's pricing and advising the sales team of any movement while ensuring it is competitive. Then I put together the demand forecast to send to Kingston so they can purchase the power.

How big is the team you work in?

At the moment there are only two of us (see team profile on page 9), but we are supported by a bigger team in Manchester.

What do you like best about Solihull?

The business park where our office is based is situated in a nature reserve, so it is very quiet. And I can walk to my gym from the office. We also have good rail and motorway links.

If you could work anywhere else in the world, where would it be?

London or Perth in Australia. Perth is the most perfect place I have been to – energetic city life coupled with perfect weather and an amazing standard of cricket. And London as it's the best city atmosphere I have experienced, has the best public transport network in the

world and would make it a lot easier for me to attend Chelsea Football Club's home games.

Do you work closely with other GM&T offices?

At the moment it's just the UK, but with GM&T's growth plans, who knows what the future holds?



Stuart Taylor
New Business Sales, Fixed Gas/Power, GM&T Retail, based in Manchester

How long have you worked for GM&T?

I've worked for GM&T Retail for two-and-a-half years.

Describe a typical day in your job.

Much of our business comes through energy brokers and consultants and I'm responsible for managing relationships with 15-20

brokerages. We usually get the gas curve at around 9.15am, so from that point until around 1pm my time is spent on the phones to the consultants and brokers, pricing tenders.

An average day sees 15-25 tender requests. Deals can range widely in size, from a single-site shop to a multi-site university using five million therms a year. In the afternoon we find out if we are looking strong or if we are behind a competitor, and time is spent negotiating with the consultants. If we get the go-ahead, contracts are put together and sent to the client for acceptance. We then work closely with the

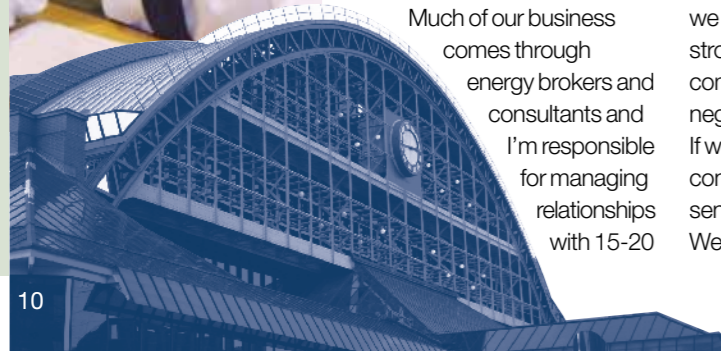
trading team to see that all gas is locked out at the agreed prices.

How big is the team you work in?

It's a team of eight – a sales manager, two new business power sales staff, three new business gas sales staff, one renewal specialist and admin support. We work very closely with all departments in the office.

Do you work closely with other GM&T offices?

My role is heavily reliant on the pricing we get from GM&T in London. If we were not consistently competitive, we would not be successful.



Olga Sarfati
Back Office, GM&T France, based in Paris

How long have you worked for GM&T?

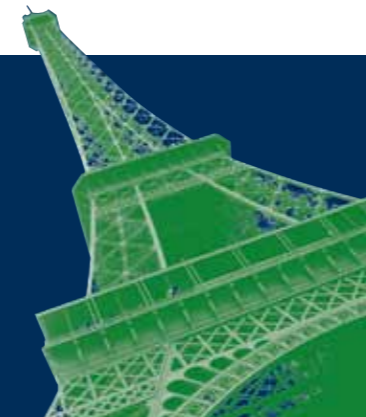
From November 2007, I was Personal Assistant to Iouri Virobian, President of GM&T France. In July 2009, my functions changed and I now mostly work for the back office.

Describe a typical day in your job.

The job focuses mainly on accounting, PR and staff administration tasks. My responsibilities include preparing and paying invoices and taxes, and preparing business expense reports.

How big is the team you work in?

There are two of us – myself and Olga Golovchiner. We work very closely together.



What do you like best about working in Paris?

The city is a little similar to my native city, St Petersburg in Russia. It was built by French and Italian architects, which may be why I find the same spirit and atmosphere in these two cities.

If you could work anywhere else in the world, where would it be?

I would be happy to work for GM&T in any city worldwide. It's not the place which makes the job interesting, but the people and the team spirit.

Do you work closely with other GM&T offices?

I work closely with our subsidiaries in Kingston and Manchester to coordinate meetings and business trips for colleagues. Occasionally I work with the Kingston PR department on sponsorships.



Bruce Sukaly
Head of US Gas Trading, based in Houston

How long have you worked for GM&T?

I joined GM&T earlier this year but have worked in the energy industry for 30 years.

Describe a typical day in your job.

My typical day is not typical! We have many projects ongoing to build our US trading business 'from scratch'. I am busy hiring staff for the business. In addition, we are implementing trading and risk systems and risk procedures. We are also establishing contracts and credit with counterparties.



Sarah Fawcett
HR Business Partner, based in Kingston upon Thames

How long have you worked for GM&T?

Since January 2007.

Describe a typical day in your job.

No two days are the same. There are so many things my role entails, such as building relationships with departments, understanding what works well, what the issues are from a person's point of view and addressing them accordingly.

To do this, I work with the departmental managers, using procedures such as development plans, reward and performance management.

How big is the team you work in?

We have a team of seven.

How big is the team you work in?

My team, including me, will be nine people, consisting of four traders, two schedulers and two originators.

What do you like best about Houston?

It offers a convenient lifestyle, with lots of restaurants and entertainment on offer. Plus Houston is the epicentre for the natural gas industry in the USA and probably the world.

Anne Sheen heads the team, and there are three Business Partners. One person focuses on compensation and benefits, another focuses on projects across the team and there's an HR Administrator.

What do you like best about Kingston?

Being next to the river. In general, the best things about Kingston are that central London is so near and has so much to offer, and it's only an hour and a half away from home (Coventry).

If you could work anywhere else in the world, where would it be?

When I was in Sydney last year I was amazed by how relaxed people were on their way to work – I would love to live somewhere like that.

Do you work closely with other GM&T offices?

It's limited – current HR support for Retail, and France is provided by Anne Sheen, Head of HR, as well as local outsourcing.

If you could work anywhere else in the world, where would it be?

Paris.

Do you work closely with other GM&T offices?

I work closely with GM&T in Kingston. They are assisting us in our build-out of the trading business and in the future we will be linked closely, largely due to the LNG trading and arbitrage opportunities that the business presents to the trading desks.

From carbon to power, GM&T trades in an ever-growing range of commodities. We meet the team helping to make it all happen



When he's not hard at work running GM&T's Trading Capability team, Mark Bushell unwinds by taking aim at targets at his local rifle range.

At work in the Kingston office, however, it's targets of a different kind that Mark finds motivating. "When I first joined GM&T more than three years ago, I really liked the fact that we were aiming high in terms of our business ambitions," says Mark. "At that time there were around 60 people on the payroll.

Today, there are more than 300 people and the number is growing fast. The pace and growth makes GM&T a really exciting place to be."

Mark's team is at the very heart of GM&T's success. As the business grows, so does the need to access more grids, exchanges and interconnectors, while working closely with colleagues in the company's Legal department to increase the number of trading documents.

Coupled with this is the need to keep abreast of the ever-growing range of commodities traded.

"We are known as a gas company, but increasingly we are trading in carbon, green certificates, foreign exchange, power and oil."

The team also has to keep up to speed with the fast-moving world of the international energy markets, as grids merge and exchanges deal in new commodities and products. An appetite for constant change is an essential part of the job.

Shipping expertise

Mark, who's originally from Wolverhampton, studied Law at Keele University, before completing an MA in Global Security. Joining Shell as a graduate trainee, he was able to gain experience in a variety of roles – including a spell in shipping procurement, purchasing propellers and other parts for Shell's shipping fleet – before settling in energy trading and operations.

From there, it was a move to GM&T and Mark hasn't looked back since. "My job involves constant change, coupled with the opportunity to work closely with GM&T colleagues in the Risk, IT and Legal functions. Added to that is the chance to work across geographies and our energy product mix. For example, we are currently working closely with our subsidiary in the US to help them build their trading platforms for the future."

THE PACE AND GROWTH MAKES GM&T A REALLY EXCITING PLACE TO BE

Mark Bushell
Trading Capability team

When Mark arrived at GM&T, he found that the company was relatively unknown in the UK. "Now, just three years later, we are respected in the industry as a familiar and reliable counterparty. GM&T has come a long way in the few years since I joined, but we are aiming high as far as the future of the business is concerned."

Making the **trade**



The Trading Capability team at work in Kingston



From left: Jason Jones, Mark Bushell and Andre Basson. Below: Irina Petrushina

MORE THAN CAPABLE

Who's who in the Trading Capability team

Jason Jones came to GM&T after a spell as a management consultant and five years with ExxonMobil. But it was his early career in the army that prepared him for his role with GM&T. "Spending three years in the British Army taught me a lot about the importance of teamwork, which is very valuable in my current role," said Jason. "We were also taught to focus on a common goal – another important parallel with my work at GM&T."

Andre Basson, the newest recruit in the team, studied Economics at the University of Stellenbosch in his native South Africa, before joining GM&T early in 2008. "As a newcomer, it is very exciting to be involved in setting up new grids and trading arrangements," says Andre. "I feel that energy and enthusiasm are key ingredients in our progress."

Coming from a sports-mad nation, Andre also enjoys playing in GM&T's touch-rugby squad.

Irina Petrushina, originally from Moscow, joined GM&T nearly five years ago, after completing her MBA with an emphasis on International Business. Her Russian background is useful as more Eastern European markets open up for competition.

"I love living in London, for its cultural diversity and international character," says Irina, "although of course I miss my family, and sometimes I long for some snow in the winter!"

I LOVE LIVING IN LONDON, FOR ITS CULTURAL DIVERSITY AND INTERNATIONAL CHARACTER

Irina Petrushina
Trading Capability team



Born in the USA



Gazprom Marketing & Trading USA has started trading in

the world's largest gas market. We visited Houston

to find out how the business is taking shape

From its offices high up in one of Houston's iconic skyscrapers, Gazprom Marketing & Trading USA Inc. (GM&T USA) is now executing its plan to see the world's leading gas company become a major player in the globe's biggest gas market.

Recent months have seen a swift expansion of GM&T USA, as energy professionals from all over the US have been recruited to build front, back and mid-office teams in preparation for getting marketing and trading on the US energy markets under way.

"In the three years since we opened the office here, we have been laying the groundwork for our entry into the US market," says John Hattenberger, President and Managing Director of GM&T USA.

"We felt that the best way forward was to create our own team and then build the brand, growing the business organically. We now have 22 employees and three contractors in Houston, including a Gas Trading team of 10 people led by Bruce Sukaly, an LNG Development team of six led by Guy Dayvault, a Carbon team led by Zach Scott, as well as a strong Support team."

WE ARE SEEING SYNERGIES DEVELOP THROUGH WORKING CLOSELY WITH THE GAS TRADING AND CARBON TEAMS

Guy Dayvault
Commercial Development Director, USA LNG



Guy Dayvault (left) and Bill English

The jewel in the crown of the US business is access to Russian gas. This includes pipeline-gas swaps with GM&T's Trading team in London, which started in October. It also includes LNG from Russian projects, including Sakhalin-2 and in the future, Shtokman. This gives a product to trade which, being transportable and not tied

to physical pipelines, provides the flexibility to give GM&T USA maximum trading and hedging advantage.

"Our goal is to develop a profitable, standalone business trading US gas obtained via swaps with Europe or bought outright from other US players, and at the same time to provide a secure, efficient route to the US market for our LNG," says John.

Wholesale market

Bruce Sukaly, Head of USA Gas Trading, says most US gas sales are on short-term contracts, which means it is not as difficult to enter as some geographical markets.

"At this stage we are looking at the wholesale market only, and aim to keep our cost structures competitive," says Bruce.

"We currently have no plans to enter the retail sector." He says there is no reason why the company could not become a top 10 – or even a top five – US physical supplier in the near future, given Gazprom's huge gas reserves and brand.

AT THIS STAGE WE ARE LOOKING AT THE WHOLESALE MARKET ONLY, AND AIM TO KEEP OUR COST STRUCTURES COMPETITIVE

Bruce Sukaly
Head of USA Gas Trading



The GM&T USA trading floor

As for LNG, Guy Dayvault, USA LNG Commercial Development Director, says that LNG terminals on the West, East and Gulf coasts of North America give access to the major US gas markets, as well as to Mexico. And liquidity in the markets means that US customers can always be supplied with gas through the Gas Trading team portfolio, even if LNG cargoes are diverted to other parts of the globe.

Guy notes: "We are seeing synergies develop through working closely with our new colleagues in the Gas Trading and Carbon teams."

"Our colleagues in Gazprom Global LNG can make decisions based on actual market demand, rather than pipeline restrictions," says Bill English, an LNG specialist based in GM&T USA. "Control of GM&T USA's LNG shipping gives Gazprom Global LNG maximum flexibility in pricing."

All senior managers in the USA agree that GM&T USA has much to offer. "We have all arrived here from a variety of energy industry backgrounds, but we have quickly bought in to the GM&T USA style," says Bill. "We were quickly made to feel part of the global team, with access to the support we need to build our business quickly. We are a virtual global team, constantly communicating with our colleagues."

Starting up US gas trading, and the possibility of LNG cargoes being delivered to North America later this year, is an exciting milestone for the USA team after much patient planning. One thing is for sure – the team is not short of ambition or enthusiasm.

Reducing the risk

Risk management boring? Not at all says GM&T's Head of Risk Robin Kent, who explains why the function underpins the company's ambitious business plan

In the fast-paced world of global energy trading, some might think that the Risk function is not the most exciting place to be. But they'd be wrong, according to GM&T's Head of Risk, Robin Kent.

"Traditionally, Risk has been seen as mitigating the impact of unexpected losses or issues around market movements, credit or operational factors," says Robin. "But here at GM&T we take a very sophisticated approach, viewing it more as creating a 'licence to trade' by balancing the interests of the company, its shareholders, customers and counterparties.

"In a modern energy trading environment, I believe Risk is there to add value, not simply to control threats. It is increasingly about balancing prudence with commercial objectives."

To deliver its ambitious business plan, GM&T recognised that a world-class Risk function was integral to its successful growth. As a subsidiary of one of the world's leading energy companies, GM&T must also be mindful of protecting and enhancing shareholder value. Robin has built a strong team of professionals to meet this challenge.

"As we grow, moving into more products, sectors and geographical markets, the business climate becomes ever more

complex, and so the risk needs to be managed in tune with the company's business plan."

For this reason, Robin works closely with the senior management team in helping to plan and analyse GM&T's forward strategy. He has recently built a team of strategy development and business-modelling experts to help support that process.

Strong background

Like many of his GM&T colleagues in the UK, Robin has a strong background in the energy sector having worked for several of the energy majors, as well as spending significant time consulting in the sector.

After studying Engineering at Cambridge, where he completed his MA and M.Eng, he spent two years in management consultancy before joining Shell as a business modeller.

A series of promotions led him to become risk analyst on the international trading desk at the time of the first Gulf War. "It was a great way to learn about energy trading as there was huge volatility in the commodity markets, which creates fantastic trading opportunities, but also brings challenges in terms of risk. It's what trading is all about and taught me a lot."

A move to Conoco as Risk Manager meant spending more time in the oil sector, with frequent travel to the US, Asia and the Middle East, before moving to become Gas Supply and Trading Manager in the mid 1990s.

Robin then spent seven years at a major management consultancy, specialising in trading and other energy-related assignments, before joining GM&T in 2007.

"I cannot think of a better place to be right now, given the pace and scale of our growth," says Robin. "It is a great culture, where you can really make a difference and influence



WE NEED TO EXCEL AT THE TRADITIONAL RISK-BASED ACTIVITIES – PROTECTING SHAREHOLDER VALUE THROUGH GOOD GOVERNANCE AND CONTROL

Robin Kent
GM&T Head of Risk

change. People here will be able to build careers with GM&T as the business grows and fresh challenges and opportunities emerge."

Robin sees the Risk function playing a vital part in this growth process: "We need to excel at the traditional risk-based activities – protecting shareholder value through good governance and control in a cost-efficient manner. But increasingly we are here to improve the speed of GM&T's growth, while building the value of delivery and results."

ASSESSING THE RISK

In times of economic downturn, managing risk becomes more challenging, as customers and counterparties may find their credit ratings diminished, leading risk analysts to develop different models for assessing credit risks. There are three principal areas of risk faced by an international energy-trading business:

- **Market risk:** exposure to volatility on the commodity and foreign exchange markets
- **Credit risk:** assessing and monitoring counterparty credit worthiness to limit potential losses from counterparty default
- **Operational risk:** identifying and assessing the risks arising from underperformance of people, systems and processes.

In addition, the Risk team also includes Regulatory Affairs, which ensures that the company is aligned with regulatory developments and manages the risks that arise, and Strategy and Business Modelling, which supports the business units in developing, modelling and implementing their strategies.



The GM&T touch rugby team line up and below: in action

A touch of class

GM&T's sporting superstars were burning energy of a different kind over the summer months.

Running, rugby and the usual football action were just some of the sporting activities keeping people busy – and raising money for charity – in July and August this year.

On 18 July, Oli Bishop captained a GM&T team in the Corporate Touch Rugby Challenge, competing against 11 other teams to raise money for charity. GM&T battled against the likes of Deloitte and KPMG, and finished a highly respectable fourth out of the 12 teams competing. The team also raised more than £500 for Great Ormond Street Hospital.

Oli says: "This was a great achievement, as up until two weeks before the tournament, several of the team hadn't even picked up a rugby ball and there were some very strong sides out there!"



Run in the sun



Employees from GM&T put on their running shoes for charity this summer, taking part in the Windsor Half Marathon and the JP Morgan Corporate Challenge.

Ten people from GM&T took part in the Windsor Half Marathon on 27 September. The demanding course was made even more challenging by the weather – the sun shone and temperatures in the south east reached a high of 27° Celsius.

Around 5,000 people completed this year's run. All GM&T runners put in a fantastic effort, with Ed Makurah being the 160th person to cross the finish line in a time of one hour, 32 minutes.

Along with Ed, GM&T employees who completed the run included Gareth Lloyd, Jonathan Brook, Aldred Coetzee, Duncan Macintyre, Philip Kent, Nicholas Ansbro, Robin Kent, James Gray and Steven Coates.

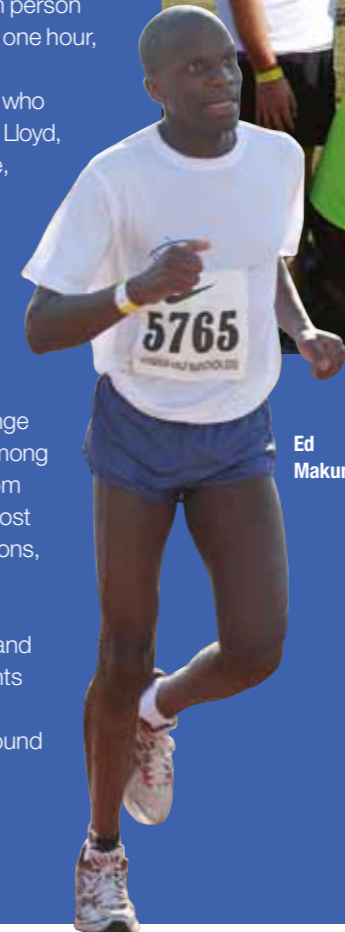
Up to the challenge

Two months earlier in London, 23 GM&T employees took part in the JP Morgan Corporate Challenge on 9 July. The employees were among more than 12,000 participants from over 300 companies, including most major banks and financial institutions, that completed the 5.6km run.

London joined Johannesburg, Singapore, New York, Frankfurt and Boston as host cities for the events in the 2009 series. Each year the Corporate Challenge attracts around 200,000 participants.



Above: The GM&T Windsor Half Marathon runners show off their medals and below: GM&T employees who took part in the JP Morgan Corporate Challenge



Ed Makurah



Going, going, gone: asking for auction bids

Digging deep

On 6 April this year, a devastating earthquake hit the Italian city of L'Aquila, killing at least 300 people and leaving more than 20,000 homeless.

To raise money for the Save the Children L'Aquila Earthquake Relief Fund, GM&T employees organised a charity auction.

The 21 excellent prizes, generously donated by staff, suppliers and counterparties, helped to raise more than £11,000 for the fund.



Gazprom Marketing & Trading Limited

Gazprom House
60 Marina Place
Hampton Wick
Kingston upon Thames KT1 4BH
England
T: +44 (0) 20 8614 1312
F: +44 (0) 20 8614 1313
W: gazprom-mt.com

Gazprom Global LNG

Gazprom House
60 Marina Place
Hampton Wick
Kingston upon Thames KT1 4BH
England
T: +44 (0) 20 8614 1312
F: +44 (0) 20 8614 1313
W: gazprom-mt.com

Gazprom Marketing & Trading Retail Limited

Bauhaus
5th Floor
27 Quay Street
Manchester M3 3GY
England
T: +44 (0) 845 230 0011
F: +44 (0) 845 230 0022
W: gazpromretail.co.uk

Gazprom Marketing & Trading Retail Limited

Cornwall House
Blythe Valley Park
Solihull B90 8AF
England
W: gazprom-mt.com

Gazprom Marketing & Trading USA, Inc.

Bank of America Building
700 Louisiana Street, Suite 2500
Houston TX 77002
USA
T: +1 (281) 404 4500
F: +1 (281) 404 4501
W: gazprom-mt.com

Gazprom Marketing & Trading France SAS

68, avenue des Champs-Élysées
75008 Paris
France
T: +33 (0) 1 42 99 73 50
F: +33 (0) 1 42 99 73 99
W: gazprom-mt.com

Gazprom Marketing & Trading Germania GmbH

Markgrafenstrasse 23
Berlin 10117
Germany
T: +49 (0) 30 20195 562
W: gazprom-mt.com