

RUSSIAN GIANT ON THE SHORES OF GENEVA LAKE

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On the picturesque and romantic shores of Geneva Lake glorified by Byron and many other Romantics of the past, an absolutely unique economic community was formed in the middle of the XXth century. Nearly all leading international companies have chosen this part of the world for establishment of their European headquarters. Geneva became a recognized centre of the international trade and finance.

Amid other international companies LITASCO is notable even because in the offices located at Rue du Conseil General 9, the employees equally well speak French, English and Russian languages. We have met up with Mr. Gati Al-Jebouri, the General Director of LITASCO, who speaking pure Russian told us about his company.

SA: LITASCO Company is well-known in Geneva and its activities are openly known as well. And yet, it would be interesting to know about your company's activities as the saying is, straight from the horse's mouth.

AJ: In order to answer this question we have to make a retrospective journey into the history and look back 15 years ago. At that time LUKOIL Company took, it is

possible to say, the historical decision to build the trading chain to the final customer. At that moment many Russian companies owned the significant volumes of crude oil and oil products, which practically in full were sold on FOB conditions, in the port. LUKOIL was one of the first companies that established its own trading structures in Western Europe – one in London, and another one in Geneva. The main objective was to manage the resources in the most effective manner and not to cede to third parties the profit that company could gain by itself.

Were there any fundamental differences between London and Geneva structures?

I wouldn't say that each of these offices worked only with its product, but nevertheless it appeared so that a big part of crude oil was sold by Geneva office, and oil products – by London office. The work of these companies created a perfect basis for LUKOIL Company that elaborated the sale technology of its products using its own resources. In 2000, the management of LUKOIL following its development strategy and understanding that the best thing was to concentrate all trading activities in one place, decided to establish a new structure in Geneva. So, LITASCO Company, which 100% belongs to LUKOIL, was founded.

Why in Geneva, but not in London?

There were a number of reasons. Firstly, a big team was already working here. Secondly, historically Geneva was always a trading finance centre: all major banks working with trade finance are either based here or have their representative offices in Geneva.

Has the choice of Geneva appeared successful?

Absolutely. LITASCO has been actively operating here already during eight years and in this period the company has reached a great success. If at the beginning the main activity was related to the sale of LUKOIL's crude oil and oil products, today the volumes of the third parties represent about 35% of total sales.

It turns out that LITASCO is not really marketing, but rather a trading company.

Yes. I would say so: sale on FOB conditions, in Russian ports – it can be called as marketing. It is simply necessary to find the buyer of the goods. Trading activities – it is much more. It does not mean at all that we never sell on FOB conditions. But in any case, such sales amount to 5-10% of total volume. Whereas trading supposes that while receiving the goods we are looking for the highest profitability for them on the international market. We do not sell any more the goods produced by the refinery but the goods demanded by our clients. Very often the market requires the product of the quite another specification. Therefore, the trading company has to deal with so-called blending of different products in order to meet the needs of the specific market, specific buyer. Therein, I consider, a wide difference lays between marketing and trading. Marketing – it is when you sell that has been transferred to you, and trading – that client demands.

On which markets are you present?

Practically, on all global markets around the world: European, American, Pacific, in Arabian Gulf, Africa...

Are all your sales carried out from Geneva?

No. During this period, LITASCO has created companies in many countries, for example, in the USA, in New-Jersey where one of our biggest offices is located. It is responsible for sale of LUKOIL's and other suppliers' products on the territory of North and South America. In Europe there are offices in Rotterdam, Stockholm, and Hamburg. There is also office in Dubai, which runs trading operations in the Arabian Gulf and Eastern Africa. Office in Singapore is one of the world's most important centres of sale of both crude oil and oil products, and all products in general. There is the biggest port in the world, nearly like in Rotterdam. LUKOIL's Singapore office exists since 1998 and is successfully operating till nowadays. It is responsible for all region and Far East. We also have office in Beijing. Today China became a very important market that cannot be ignored at all.

What is the subordination, or better said, who controls these structures' activities? LUKOIL or LITASCO?

Well, essentially, LITASCO – it is LUKOIL. If, however, we speak about the direct daily control and management, then all trading companies located abroad are controlled from Geneva, from LITASCO. Trading centre is situated here, in Geneva. Each office operates on its market. Therefore, we consider this market not on geographical zones, but under the products, in accordance with so-called "Global book". Correspondingly, all traders have the same motivation, irrespective of whether they are located: in New-York, Geneva or Singapore. They must receive the optimal profit from the sold product. In each office there are specialists for crude oil, naphtha, gasoline, gasoil, dark products – fuel oil, etc.

Most likely it should be difficult to manage the representative offices spread around the world?

Yes, of course, there are problems related to the time lag and distance, but they are solvable. First of all, due to the physical presence of people on the spot, and secondly, we all know how to use Blackberry and can work on the week-ends...

So, you work during all the week-ends without rest?

In fact, time lag is not the most important problem in the international offices management. The most difficult today is to find the team of professionals. If we have a strong team - we have the control. Then all other problems are solved themselves. We have the high-class specialists, elaborated scheme. And so, we have time for rest as well.

About people. Who works in LITASCO?

We are proud that LITASCO, a 100% subsidiary of LUKOIL, employs 310 persons of 25 nationalities. For example, in Geneva office, Swiss citizens represent 30%, natives of the EU – 37%, citizens of other countries - 33%. Russians, French, English, Norwegians, Americans, Tunisians, Algerians, Ukrainians... work in

our company. For example, I'm half Iraqi and half Bulgarian.

You speak perfect Russian and I was sure that you had Russian origin...

I am about to become, as it is more than 10 years that I have been working in LUKOIL... In general, we are multinational and multicultural company with Russian mother.

And what language does the multinational daughter of Russian mother speak?

Two languages: Russian and English. In Russian, when we communicate with Russia, but here and with other companies – in English.

What should be the profile of the person to be employed by LITASCO? What are the selection parameters or is it necessary to know some secret words?

We are the trading company, but the demand is not only for traders. We need the risk managers, financiers, accountants, operators to ensure the efficient deliveries. There is a need in analysts... There is no unified speciality or characteristics. All depends on functional responsibilities. But there is one common requirement for all – it is professionalism and loyalty to the company. We operate on the complicated market. With today's prices for oil products the amounts in monetary measurement are colossal. The invoices for one tanker can reach up to USD 250 Mio. And the mistake here is inadmissible. That's why the employee should have a high professionalism and sense of responsibility. Loyalty – because our business depends on information. Information - this is money. That's why the employee should be loyal to the company, to colossal amount of information that he/she receives here, because the company invests significant sum of money into each of us. Each employee has its educational program, program of development, etc. That's why the "return" of invested capital is important.

Are there many Russian-speaking employees in LITASCO? What are they doing?

Enough: 38 employees. Among them there are traders and operational staff. The Chief Accountant and Financial Director are Russians; the Head of Legal Department is Russian as well.

Is it difficult to find a worthy staff?

Yes. Today, Geneva becomes one of the main economic European centres, firstly in trading activities. This fact creates the significant problems while searching for personnel. I can call no one international trading company, which wouldn't have an affiliate or representative office in Geneva, or, we can say, in Switzerland. This circumstance causes significant problems while searching for the staff. And considerable part of my time is spent exactly for meetings with people, search for worthy staff. Besides, it's necessary to think how to hold people, to give them possibility of further development. We don't seek to pay fabulous salaries, but remain within the limits of rewards currently accepted in this branch. In every possible way we try to create good working conditions and to maintain the positive environment, so-called, favourable aura.

The Geneva University is near your office. Is it possible to find there the worthy candidates?

Of course! Now our company is at such level that we are simply obliged to work actively with the educational institutions of the city and Switzerland, in principal. As for myself – I am one of the founders and initiators of creation of the Geneva Trading and (sea) Shipping Association (GTSA). Within the framework of this association the possibilities for youth who live here, want to study and work in this industry have been created. In this year, the MBA trainings on "Trading" business, where 4 students have been subscribed, will start. We have developed this training jointly with the Geneva University. It's already long enough, we participate in the so-called Career Days where we present our company, talk about the activity specificity and look for the young specialists for LITASCO.

Except for the joint projects with the Geneva University, how does LITASCO cooperate with the city and canton?

We know and communicate often with Mr. Unger, Head of the Department of Economics and Public Health of Geneva Canton, concerning the issues of general development of Geneva, but first of all - the education. We work actively with the placement office where sometimes the interesting personnel are found. So, last year we employed 3 persons recommended by this institution.

We try in every way to be involved into the public and cultural activity of the city. Because both the company and the employees: we all are in Geneva. Although the budget for such company as LITASCO is not unlimited, we, if possible, try to participate in public and social activities of the city. Therefore, for example, we are proud that within already many years we are sponsors of the Geneva Chamber Orchestra. We support the "Rodinka" organization when it is possible. Generally speaking, my mother is a musician and everything that is related to the art and music has been always close to me. But besides, we try to cooperate actively also with many other state and public institutions. We are a member of the Association of Enterprises of French-speaking Switzerland, cooperate closely with the Geneva government, which serious partner we have become, contribute to the formation of educational system in that sphere, which we are interested in. I have already mentioned the Geneva Trading and Shipping Association (GTSA). I believe this is an important thing, as the society should understand the role and functions of trading companies. And this Association is exactly such institute, which will allow doing this.

Recently, LUKOIL has acquired a share holding in capital of the refining company ERG. The deal amount has been EURO 1,3 billion that is the biggest Russian investment into Italian Economics for today. Has it become tight for LUKOIL within Russia?

It was preceded by a huge amount of work that had been carried out both from Moscow and Geneva. LITASCO will deliver LUKOIL's oil to this refinery, will refine it and sale received oil products at the international market. The share that we could buy was 49 %, and this is only the first step. We have possibility to acquire additional shares, and it's

absolutely possible that at some stage we'll reach 100% of our participation in the company capital. Volume that LUKOIL will deliver will amount 8 MT.

ERG is not a small acquisition. Now, LUKOIL has very seriously declared about its entrance to the West European market. But this is not the first serious foreign investment of LUKOIL. We have already presence in America, where LUKOIL has more than 1,5 thousand filling stations (according to the annual report for 2007 – 1578 filling stations). Per se, we are one of the largest owners of retail chain on the East Coast of the US. Before ERG, we already acquired the filling stations that had belonged to Conoco Phillips in Belgium, Luxemburg, Hungary, Czechia, Slovakia. We have been working at the East European market for a long time, and now we have entered to the Western Europe. The ERG purchase is one more step in the company's long-term strategy, which is to come maximally closely to the end consumer of our products.

Now, the bio fuel, alternative energy sources, etc. are discussed a lot. Many energy companies make scientific inquiries with respect to use of new technologies. How does LITASCO review this issue?

LITASCO is a trading company and our object is to sale maximally effectively our own product or product acquired from other suppliers. All elaborations related to the alternative energy sources development are exclusively prerogative of the central office in Moscow. I wouldn't call it as a project on implementation of cardinal alternative technologies, but presently, LUKOIL engages actively in development of gas fields both in Russia and abroad in order to use gas for electrical energy production. LITASCO is also one of the companies, which are the most widely presented on the bio fuel market. In France and Spain, LITASCO delivers both bio components (bio diesel and ethanol) and prepared bio fuel blends produced by blending at own capacities.

If you allow, some questions of personal character. How long are you in Geneva?

Already 5 years.

Do you like it? Do you have the most favourite places in Geneva?

Unambiguously yes. Geneva is a beautiful city. Probably, the first two years were a little bit difficult for me, as Geneva is not a simplest city where it is easy to strike up the acquaintances and to find personal circle of contacts. But after finding your "place" in Geneva, this city becomes very cosy and comfortable. Within many years I lived near the sea. I like sea very much and all what is connected with the water. May be, I also like Geneva because this wonderful lake demonstrates a kind of "waterscape" that gives pleasure to look at.

Where do you like to have a rest in Switzerland? Where would you recommend having a rest to people coming to Switzerland for the first time?

I would recommend to go to the Cheese Factory in Gruyere. I'm sure that in other countries there are also such places where it is possible to see how cheese is produced, but I saw this process for the first time here in Gruyere and was very impressed. It is incredible, how carefully the Swiss keep their traditions.

LITASCO was founded in 2000. This year is very symbolic – beginning of a new era. The foundation of your company in this period: is it coincidence or a considered step?

You know, in life there are never coincidences. Everything is considered, everything is a part of strategy. Of course, 2000 was very important for everybody, when a lot of people considered their plans for future. Believe that LITASCO foundation exactly in that year was not coincident.