

UC RUSAL PRESIDENT'S FORUM



RUSAL and HKUST present the lecture of

Oleg Deripaska, UC RUSAL CEO
THE POWER OF FOCUS: Turning Opportunity into Success

Dialogue between RUSAL's CEO and HKUST President Tony F Chan

21 September 2010

Dear friends,

It's a very exciting moment for me to be here. It's a pleasure to see all come to listen to my presentation. I do remember myself being a student like you and enjoying the studies like you do. Back in my age we did not even dream about many of the opportunities that you have today. It is great that you have today all these opportunities. I'm sure that you keep further developing yourself as future leaders. One of the important aspects in this development is the competition. My believe is that it is always important to compete, to be able to compete, but not just with classmates and colleagues, but first of all with oneself and strive to fulfill your dreams. It was necessary for me to be able to put my ideas through and make sure that I could avoid mistakes. But no matter how well I was trained by my teachers, professors, relatives and prepared for life, I learned when I was still young, that there is no knowledge which you can apply in your practical life.

I grew up in a village of hundred households, in the south of Russia. Similar climate like Hong Kong maybe, but not so rainy. And it was great time for me. I enjoyed reading and I did read a lot. And when I was but a boy I read that brain's capacity is utilized at no more than eight per cent and even Einstein failed to go beyond this limit. It brought me the understanding that even these 8% can help people perform far better. This changed my perception of reality dramatically. I finished a school in a small city, near my village. After that I entered physics faculty at Moscow State University in an effort to learn as much as possible. I was hungry for knowledge.

Soviet Union gave us excellent opportunities. Of course Soviet Union had a lot of setbacks but it offered a great field for people to study and promote themselves, to learn more. Scientists have been quite close-tied community then and a lot of things were developed. But out of a sudden things started collapsing. In my view it was not a wise decision to stop at one moment and thwart a lot of good that was done in almost seventy years. Our GDP dropped almost three times, we had our infrastructure collapsing and a constant shortage of product supply. If taking China as an example, your county performed much better in terms of seamlessly melding the economy into global world. Russia had a different path.

While in University I was conscripted to the army for two years, and served my tour in Siberia. Take into account that I grew up in South of Russia, and had to go to one of the coldest places on Earth. There was sometimes minus fifty Celsius in winter. But it is then when I learned how big Russia is, what opportunities it has. It was very important thing to understand.

During late university years, I studied nuclear physics, quantum fill statistics and theoretical physics. The road was clear for me – it was either civil or military researcher career (as most of research was funded by the military) but the collapse of Soviet Union left me and my friends little chance. That's when I tried to figure out what I can do. Calculation was simple: I liked math and I finished more than thirty different physics courses. I decided to go to freshly established commodity exchange. I was very good at calculations and it turned out in finding the way to the market because it was generally hard to figure out who is going to buy, who is going to sell especially when materials were scarce.

That was interesting time when 'Perestroika' started, if you still remember this word. It was a very famous word, twenty years ago. But in grim reality we had to start with no institutions, no capital, no honors, just good idea and desire to live better. And it was when I learned a lot and especially that you never should destroy anything which was done before you. And you should really learn the whole experience of people, who spent their time and efforts to build that. It was then when I decided to go deeper into Russia. As you remember I said, I spent a lot of time in Siberia on the military training, and I witnessed the great opportunity and potential in this part of Russia. It was then when it became clear for me, that the main challenge for our civilization is not just environment, but also how and what we produce, how can we do it most efficiently, how we should deliver the product to the consumption centers and the whole future and efficiency of our society would be about and how should we use it to improve our lives.

So that was where we started. By that time almost all production plants were stopped. We had huge disarmament surge that unlocked a lot of very well trained and well-disciplined people. Of course there was a huge cultural and moral dilemma as we all ceased to be one country and became another with completely different set of principles. So we had to run through the night studying in the process.

I knew a lot of colleagues, who also graduated in math, physics, engineering, rocket science with whom we have established a trading company simultaneously We started to learn trading business, marketing our products. We had to understand what customers expect from us. It was then we went to the business, which I think created more opportunities for the future development. To the aluminium business. Aluminium is not a rare metal on Earth, second after silica. But it has tremendous future. First, it's 100% recyclable. When you recycle aluminum, you spend two times less energy compared to steel recycling. It's light, it's very flexible. And it creates opportunity for the next stage of society development.

In Russia we have almost endless hydropower resources. These hydropower resources are located in remote areas. If you consider aluminum being just solid state of energy for the growing economy, everywhere, not just in Asia, not just in India or Africa, it's a great model to use. Thus we went to explore this business model.

We consolidated the industry, located bauxites we don't have in Russia. We established the company that became the leader of industry in less than twelve years. We found more possibilities to develop in Russia. Today we produce for almost the entire automotive sector, packaging, construction, isolation materials. But to become number one aluminum producer in the world, we had to learn from our own operations practice.

You can be very good in theory. You can learn the processes. But reading the manual is one thing however how to actually use this manual, to actually train your people is completely another. To apply the best practices in the world we looked at Toyota, which has very precise, very deep and thought through process for almost thirty years of standard operations. Using this experience you can very easily see and visualize for your employee what's wrong, how they should correct themselves. You actually transfer them a lot of authority, because they can adjust and improve the processes by themselves. "Give power to your people" is not just a popular United States slogan. You actually not just train them but you explain. In the end it pays out in their careers.

Just a remark: I can tell you that at any time in front of our factories you can find headhunters who are looking for the people trained and capable of running small factories especially given the fact that a lot of our people have college or university degree, often a good heritage of Soviet Union education system.

We had a great opportunity; we had a best possible start. But we could not dwell on success. We had to understand how we can secure our business because when you are exclusively in one metal everything can happen. Thus we have invested into another lucrative asset on the verge of global crisis. It was actually very risky for us. Virtually

speaking we could easily break our neck. But we ran through the crisis by investing in one of the best assets. I'm talking about 'Norilsk Nickel'. Nickel, cobalt, palladium, a lot of rare metals groups. For us it's a great opportunity to explore Russian North. Russian North was always difficult to access. It's not only about having the sun on the top of the sky only three months a year. You should also consider temperature and logistic. You have no railway roads connected with the North so it is kind of hard to manage assets. But thanks to global warming and new opportunities arise. For example a container ship from Copenhagen went without the aid of an ice-breaker all through Great Northern Route above Russia and finished in Shanghai. And it saved them more than eleven days, compared to going by the South Route via Indian Ocean.

Exploring the North of Russia and its abundant opportunities is how we will diversify and develop our company in next twenty five years. But we have also to consider that aluminum process itself has a tremendous problem. Though it uses even less than copper and nickel, it still generates a lot of greenhouse gases to the atmosphere. Michael Faraday has very clear description of the aluminium production process: you need to have carbon for reduction But using carbon for reduction, not just produces aluminium but generates a lot of CO₂. That was when we thought why should we use carbon? Although it is easy and less costly, why not to find another material, which can go through the process and solve the problem. That's how we ended up with the idea of the inert anode. We have actually found a completely different process.

In case of carbon anode we produce aluminum and CO₂. In case of inert anode we use a very complex alloy — nickel, cobalt, and iron. This allows in the end to produce oxygen during the reduction. By surprise, we have learnt that by development of this technology we actually could even produce more oxygen than a small forest. It is not our first attempt in twelve years to go through with this technology. Of course, it'll be all valued and based on the cost, based on our technological improvement and else. But this is an example of our way of business, of what we believe in, that we are not just about delivering metal to our customer, for any application, for the light electric cars, for the construction, for high speed trains, airplane and space vessels, but also about less damage to the environment. It is about creating more opportunities. Of course this will take a lot of efforts, but we're sure there is no problem with the physics, there is no problem with the technology. And at the moment we just study how to do it in a more efficient and economic way.

But let us take a look at growth in Asia, growth in India, growth in Russia. This creates a lot of opportunities for our company, for our people, for our communities. They are all in very remote areas of Russia but we want to deliver our people the best. And now it is possible with Internet, 4G, and more affordable transportation. All this actually creates almost the same opportunity for people in Siberia as for those who live in Moscow.

Development in Asia, especially, China, can be supported from the Russian Siberia. One of the areas is peak power. The more income Chinese families will have, the more energy they will use. And there will be immediately issue of peak. 40 minutes like everywhere in the world, 40 minutes in a daytime, in the morning and 1 hour and 20 minutes in the evening. Bear in mind that China already burns more than 1 bln tons of coal, which in total gives all of us more than 200 million tons of emission and ash which needs to be reprocessed and stored.

Thus this problem creates a chance for deeper cooperation between the Russian Far East and the Eastern Siberia and Asia in the energy field. You have to understand, that when you want to put thermal, coal fire or even gas plant online each has its own advantages and disadvantages For example you need to spend 24 to 40 hours to boil the water, to prepare the steam. If you want to put online a hydro generator, you just need 18 minutes to open the water flaw and put power.

In the next, I don't know, twenty-thirty years, we will have more developed hydro-resources in Russian Eastern Siberia and the Far East which will completely solve the peak-

capacity issue in mainland China, and reduce the waste of energy, and create a better opportunity for improvement of the environment.

But anyway it's not enough. If you look at scary pictures in the wires, statistics which NGOs provide us all around the world, another challenge arises. We have depleting water resources; our environment is not enough to fit growing population. There is a lot of doom spelling forecasts. Soon we will have almost 9 billion people. This will create significant pressure on our society, the pressure that without proper and affordable energy resources can easily put humanity back into Middle Ages. Why do we need then all the science and all development we have today? We must find the way. As I said at the beginning of the lecture energy solution is the most important issue. I can tell you, that, as far as I know, through my work, there is no chance to avoid nuclear age, and nuclear power is the only solution.

I've told my colleague here already, that on my way here I read some documents, and I found one very interesting document. It was about an international symposium held in Moscow back in 1968. There was a discussion about future of the power industry. Academics could not predict anything, they could not predict what computers will do with our economy, they could not predict what logistics will do, and a whole lot of other predictions. But for some reason they believed that we will need more power. Based on their knowledge of technology (it was 50 years ago) they believed that by 2010 there would be 1500 nuclear plants all around the world. There would be developed technology for the breeding reactors. But everything was stopped 25 years ago after series of accidents: one in Japan, one in Three Miles and one in Chernobyl due to human factor. These accidents were just the wrong practice, and actually, I do believe that it has been thought through and properly addressed.

We have no chance to avoid nuclear energy; it's the only 'green' source able to satisfy the needs. It's not only about big reactors; big reactors will be also demanded despite a lot of dispute on their operations their accessibility to 'unstable' regimes and dictatorships. What I talk about is small reactors, the so called Fourth generation reactors, which already are being developed. They already were developed in the United States and in Russia for the military application and for space programmes. But what we need now is to collect all the knowledge and actually prepare a new test prototype which will meet with all the new safety requirements. It is not going to be a big thing, only 4.5 meters in diameter, and 6 meters in a length at maximum. It can be transported by the railway. What is important, it doesn't need refilling, which means that you can do it in a factory and just bring it in like a big battery.

Of course, there will be a lot of discussions and studies about it. It won't have pressurized water for coolant which was one of cornerstone problems for all mentioned accidents, contaminating the atmosphere. Here we have liquid metal inside. Liquid metal, in case of any break of the reactor, will just solidify, and there will be no contamination. That's why 4th generation has quite a safe idea behind it. The issue is how to make it a commercial application. And this is what we try to support from my personal position, from my company.

We should stop dreaming about preserving the nature and start doing something to actually protect it today. But unless we do not deliver technical, practical solution for all the growing markets, for the people who want to enjoy the better level of life, like in developed countries, all the talks about global sustainable development will simply remain talks. We have already researching this project on par with Russian Nuclear Agency. But not just Russian researches for such a reactor. Ours is the 6th project which in addition to those from US, Japan, Europe. Thus it is not a single research. Everyone drives its own which they prefer. The same would happen here.

But if you come back to the symposium which 50 years ago, they predicted that we'll need 1500 reactors. So far we have only 400. Let's say that every reactor needs to have 25

capable engineers. One thousand reactors which we already miss and we need actually today 2000 reactors. You can multiply, to find the need to have 50,000 trained people.

I remember myself, when I was like you, when I was younger. I started to learn math and physics when I was eleven-twelve years old. Just to become a graduate I totally spent 12 years. And this is a way, which is very difficult to go unless you don't see the final target. I'm trying to encourage you. But you have to believe in whatever you will do, and if it's connected to nuclear, for you in business, in life, it's a very important thing, and it can promote our life and create us more opportunities.

Good luck!

21 September 2010

Questions and answers after the lecture delivered by Oleg Deripaska at HKUST 21 September 2010

Tony Chan - Hong Kong University of Science & Technology - President

So I think the arrangement is that I will ask just a few questions to warm the audience up. And then we'll leave as much time as possible for the Q-and-A in general.

So let me ask - I'm trying to get some ideas from your talk. I want to ask a kind of personal question, so things that are related to your personal life. Something related to technology because - and maybe something related to Hong Kong. So I think I'll stick it to those three questions.



First question, I'm sure I see a lot of students in the audience, in fact some high-school students. I haven't seen uniforms in a long time. So obviously I mentioned that your personal educational history. You grew up in a small town, you studied physics. You -- even I didn't quite understand all the subjects you were thinking about, quantum physics and so on. But obviously something changed and you're obviously, you're multitasking obviously. You got into this business of minerals and aluminum in particular. You are now in the world of business, global and so on. So can you tell our students a little bit that journey, first of all?

But more importantly, whether the switch is just by chance or deliberate, or whether there's something that you knew from your early days, from your early training that are still useful today, so that shaped your perspective perhaps, maybe not, in a technical way? So something for our students here. They are many of them barely 20 years old or under. There's this big world out there. Maybe they will be the CEO of something like UC RUSAL 20 years from now. What is your advice for them? That's where I'm coming from so let's start with that?

Oleg Deripaska - UC RUSAL - CEO

Of course, you know, we live in a very different world. If you compare the opportunity that you at HKUST have now, what I have seen in your lab and the whole, it cannot be compared to my opportunity. When I started in a university, there were no e-mails, I'm not even talking about mobile phones. But what is important: I tried to learn. You too, try to

learn the basics, try to learn academic, try to learn math, logic. There is always a lot of easy courses at the university, but don't jump over difficult ones... As I said, you have a tremendous capacity in your university, and you always have a tremendous capacity in your brain. So you need to go logically through everything to see how nature performs and what the reason is for all.

I always tried to compete with myself. If I didn't know something, I tried to learn this subject and to go until I could really understand it in detail. This is especially important when you lead the people. It's the most dangerous to drive people in a wrong direction. And of course you need to be patient, you need to learn that everyone is different. Try to understand how the other person will understand you. When I studied Physics, I was making a lot of mistakes which were done in transition of information flow. But practically, when you are managing your business or your team, everywhere, even in sport - sport is a very good example - unless you completely understand how your colleague thinks, you would not find an opportunity to manage them.

Tony Chan - Hong Kong University of Science & Technology - President

Very good. And so students especially, start thinking about a question for Mr. Deripaska later on.

My second question is about technology. We are a University of Science and Technology so I feel obligated to ask that question. But also in your presentation I think, if I get it right, you paint a picture where you think technology can play a big role in humankind's future, saving the world, energy in particular. Nuclear energy is of course one thing you propose. And I'm sure you know, right, there's a lot of controversy surrounding nuclear energy around the world. As you mentioned, there's these accidents, Chernobyl and Three Mile Island and so on. But I want to step away from nuclear energy in particular. What do you see the role of technology in human development at this juncture in the world?

So I think what I see from your talk is that you say technology can actually play a big role in, at least contribute greatly in solving the world's problem. Okay, that's what I think you - I get from your talk. But more generally, can you say something about the role of technology in our life?

Oleg Deripaska - UC RUSAL - CEO

I think for everyone what's important their personal freedom and no one wants to spend time doing those boring things which sometimes you are obliged to do. I'd say technology is a unique opportunity to make us more free, to give us more because time. We have a limited time opportunity to be in the full understanding of the reality. Today we saw your lab here in life science - they work on very important issue, Alzheimer's Disease. But it's not all - technology could buy us more time.

Tony Chan - Hong Kong University of Science & Technology - President

Okay, so there's hope for the future of our university I hope. Thank you for the endorsement.

So my last question before I open up to the general audience is about Hong Kong, in particular about your view of Hong Kong. We already introduced the fact that your Company is the first company that listed in Hong Kong. So in a way you have a new fresh, maybe unique perspective about Hong Kong's role in this region, as part of China, as a financial center. But also beyond the finance and the business side, do you see -- what's your perspective on Hong Kong in terms of cultural aspects, educational aspects? I mentioned China, how do you see us? We have this one country, two systems, so how do you see us fit in? And in particular, any, I wouldn't say advice, but your own perspective for us in Hong Kong.

Oleg Deripaska - UC RUSAL - CEO

There is a practical thing, great demand in China and in Asia. Asia will grow for the next 15, 20 years and we can assume based on development of OECD economies, Europe, United States, Japan that resources will be important part of equation.

In our side we have a vast territory which we started to develop 40 years ago. We started to develop Eastern Siberia, Far East. We even haven't started the North yet, just a few places, which remains a unique opportunity for us to develop and build an infrastructure. Of course we don't need to open every deposit, to use every mine opportunity. But to build proper infrastructure, especially with the latest development in communication, logistics and transport sector, this is a rare opportunity and I feel that there could be very mutual benefit.

There is another point – I can tell you a Russian story in the West. London was open for Russian in the beginning of 90s. In the next 10 years suddenly there was four hundred thousands of Russians, Ukrainians, Belorussians who live in London. It is actually a benefit to the West because, if you look at the City and London real estate prices of course, you will see there is a side effect.

Tony Chan - Hong Kong University of Science & Technology - President

Yes, I know. Hong Kong people are going there to buy real estate too I heard.

Oleg Deripaska - UC RUSAL - CEO

There was a window for Russian corporations to make their first step. For some it was a successful step, for some not, there was a lot of political agenda, and there were a lot of issues just because of misunderstanding. We are considered as Europeans, but if you look at a map, actually, we have only 20% of our territory in Europe and 80% of our territory in Asia. We have a lot of cultural differences between us and Europe. That is why all those ideas about easy democracy... We already had an example of a 'shock therapy' when we had one third of our GDP cut down after attempt to go to free market principles without the knowledge of these principles and without proper institutions.

And I think in Hong Kong is opportunity for Russia. It's a window for Russia to study the Asia, to learn the Asia, to learn it in a more comfortable way. You have developed institution and vast experience in dealing with mainland China. And you had also quite a transition in the last 15 years.

And I do believe that more people will travel here. It's a great thing that your government agreed with the Russian government to drop the visa. Now a number of people going to Hong Kong can triple, and less than in one year we already have four direct flights and, I know, there is a lot of tourists from Hong Kong who come to Moscow, Saint Petersburg, I believe there will be more tourists and I can ensure you how beautiful Siberia is. It is very different in winter, but it is also very beautiful. You can try to imagine its vast and wild territory, there is a lot of things to see. When you are there, you actually think differently – I don't know how it happens, it's different mechanic in your brain.

I think we should not be in a hurry. Of course we both experienced, I mean mainland China and Russia, the plan economy. It was like "Ok we'll go in two years, five years". But I think to have a successful future, we need to learn each other. So we need to go carefully through all challenges.

Question

Mr. Deripaska, thank you for coming here to HKUST to share your experience. You have



mentioned that you had a goal in mind very early on and you also had competition with yourself rather than with others around you. I was wondering how outside forces played a role in your success? For instance, you were involved in a lot of political societies and committees as well as in your own industry, I was wondering how that contributed to your success so far.

Oleg Deripaska - UC RUSAL - CEO

I got a lot of experience in the army. It is the time when you have a lot of different people around of different religions, different culture. It is especially true for Soviet Army. It was important to understand what is what and who is who. To get that you need to talk to the people and exchange your views no matter the difference you have. In the end you can always find what bothers your counterpart and find grounds for cooperation.

I was always encouraged by talented people. And when you see what they achieve, how they're thinking, what's the target. When you see their progress, and their inspiration, it deeply motivates you., incites you to learn more. You have to learn every day. And this is the only recipe for personal growth: try to learn from every source you can, especially now you have unlimited access to all kinds of information.

Question

Mr. Deripaska, I think you talk a lot about the struggle that you went through in the earlier part of your life and the struggle and you came through, saw Russia especially economically. Now perhaps you can share with us your experience of your recent struggle in the 2009 financial crisis where I understand from the press that UC RUSAL went through a number of operational and financial restructuring with banks and also with your aluminum plants worldwide. What did you learn from the experience, from the struggle? Because I think this is a different part of your life. So what did you learn from the experience and how did UC RUSAL renew itself in the process?

Oleg Deripaska - UC RUSAL - CEO

We tried to grow as fast as possible and it wasn't our mistake I think. Yet we underestimated the shock which may be caused by financial crunch. Despite we thought through our diversification and invested in other areas, the crisis dropped them almost five times. We spent \$14b for investment and development, and it went down to \$2b. We were exposed because we breached covenants and financial requirements. But no matter the problem you need to talk to everybody. You need to talk to the banks. You need to explain and you need to demonstrate how you perform in times of crisis. For sure nothing will go overnight but you need to concentrate all your knowledge and practice and experience to prevail.

The other thing we have learned from the crisis is that that we need to spend more and be engaged more with our local communities as a Company because our local communities have suffered most of all in a crisis. Any time when you cut labor hours, any time when you stop maintenance of your equipment, it immediately affects small and medium enterprises that support your factories. We learned that we need to spend more time to develop local community economics and actually promote education that people could be easily transferred between different sectors to make sure that they're not locked in somewhere without being employed.

Roots of crisis lie in unequal development. I believe that there is more shock to come because we all see the economy none believes anymore with colossal 14 trillion state debts and more in mortgages and retail credits. It is current reality. We have growing economies in Russia, Asia, China, India, Africa, South America, but they all use the currency exposed to public deficit. The only way to stay on top is competition, is to be competitive at every moment.

That's why any project we start, any plant we built is considered to be modernized. We would like to be in the first 25 quartile in terms of the cost and efficiency. This is something which we have learned. Do whatever you need to and do it quick because suddenly you can lose everything. I do remember in the Bolshoi and the next day they said the crisis started. It was becoming worse and worse every day. So this is the idea –that changes can come at any moment, and you have to be ready for them.



Question

Mr. Deripaska, you are a very successful man and you have seen many opportunities in your life. How can you identify right opportunities? Can you share with us?

Oleg Deripaska - UC RUSAL - CEO

You have to choose the way on which you wouldn't be bored in less than one year.

Question

My question is very simple but I think very important. What is your major, the ultimate goal of your life?

Oleg Deripaska - UC RUSAL - CEO

It is not about saving the world because you can't do that. But certainly you can do your best and it will pay you back. Everything's related. Everything has its own cause and consequence.

I have just made you a presentation about aluminum company but we're also involved in manufacturing in many areas. To do that we have studied operational practices in Japan and Indonesia. We have received experience which I believe is applicable to any business, be it services, healthcare, insurance, assembly lines. You can instill proper standard description of workplace everywhere you. So you can train your people to be not only qualified but also able to improve which is far more important is important.

I do believe in nuclear energy and practically, given the shortage of time at our disposal, the statistics, demographics and our need for further development. Technology will help us a lot if we want to bring another 2 billion people to the proper life standards. We can upgrade the outdated infrastructure and communications. But first we need to solve practical issues of a power supply.

You can't just rely on someone else to do it for you. If you are to rely on someone else then you will have another billion tonnes of coal fired every year in India that even today fires 250 million tones. So this is the problem that needs solution. Go to the BBC, go to any broadcast, see every day life in Pakistan, anywhere, and you'll see how painfully they need to have proper power infrastructure. We can help them to do it smarter, less energy consuming. There is a lot of improvement which big companies doing to reduce consumption of energy for their product. We can do smarter grids, we can be more disciplined ourselves, but first of all we need a technological breakthrough. We can postpone our flight to Mars which is also important but we can't postpone development of the power solution.

Question

How to keep a sustained success? How to effectively motivate the team and support its positive attitude?

Oleg Deripaska - UC RUSAL - CEO

You need to show yourself that you know what you're doing, do less talking and just be an example. 'Do as I do' they say. I know a lot of business students who know thousands of brilliant business cases with a lot of practical application. But it is sometimes better simply to take a chronometer and see operations that your people are doing. After that you need to find the proper behind it, and try to understand be done in the next 20 minutes to improve working environment.

It's everybody's issue not just that of developing companies. It's everywhere. A lot of problems which can be solved, just by applying standard operation practice like ones developed in Asia. Of course western economies like Germany for instance may offer more entrepreneurial approaches and different solutions straight engineering practices and quality control systems. But again, in my view, my personal view that, no one could beat Asian practice based on standard operation and constant improvement.

Question

Mr. Deripaska, thank you very much for choosing HKUST as a partner for the cooperation and for extending Russian-Hong Kong ties. But my question is how you see the further cooperation and its future?

Oleg Deripaska - UC RUSAL - CEO

I have very practical view. Let's see the results. You have good technology, good labs. I'm sure that results will follow. Furthermore will have to see how such results are promoted and applied. I think practical implementation of your studies is important for you.. In Russia we support several laboratories like yours. Thought they work on slightly different angles I'm sure that we can establish more broad cooperation and bring more people together. Everything should be based on result evaluation and be adjusted to the course of cooperation.

I know that it's not a big donation but for us it's important for us to be able to learn from you from your way of thinking.

Question

What is your view of Russian politics?

Oleg Deripaska - UC RUSAL - CEO

We have our own issues and we have leaders who also learn more and more from the crisis, from innovative development. But I have a strong view that the business in general should stay away from the politics as a matter of business ethics.

Of course we compete and we try to promote our industry within the Government. But it is the local people we should be looking at. You wouldn't believe how hard it was for people in the '90s. Even now there is still a lot of different problems that need solutions. But I think we need to develop local communities to counter Russia's deeply rooted paternalistic culture.

In the past everything, even in times of Russian Empire, every decision was for Tsar to make. Everyone was expecting his guidance. Things didn't change much after the Revolution. People were expecting decisions from Lenin, Stalin, Khrushchev, Brezhnev and Yeltsin. They still expect from Putin and Medvedev to solve their problems. Government is by all means is an important institution but I Russia is God-blessed with natural resources and talented people which were during the Soviet Union and in Russian Empire times. In my view everything, more efforts should be done on local level especially in communities.

Question

Thank you, Mr. Deripaska, for giving such a meaningful speech. I learned that you first studied physics and turned to economics and became a most successful businessman. Can you tell me a little bit more about why you changed from the physics to the economics because I'm an engineering student so I'm quite interested in this?

Oleg Deripaska - UC RUSAL - CEO

It was much more simple in my case. I just couldn't afford myself to study anymore. I didn't have much choice actually. It was a time when academic institutions and the research funding collapsed completely. So I could be PhD sitting aimlessly in a big room. Remember I was in theoretical physics, and we needed experiments to research more. Of course I could go through academic journals clipping articles. But it just wasn't the way. So I decided okay, I'll try to do something else.

If you were a scientist in the final days of Soviet Union or in early modern Russia you had only two similarities – it was either monk or soldier. That was my impression anyway. That was just not my idea so I just decided 'okay, I'll go and try another way'.

As an engineer you have to understand that It was easy for me to assess any problem deeper than any economic graduate. My edge was that I was able to see the whole picture and to understand the whole processes. I know that I may be boring, but it may be instrumental once you learn and understand how to establish standard operations in your workplace. When you study math you can compare anything which you can measure, you can operate statistics which is a good instrument to explain about the past. But it is only about practice when you come to understand the future.

Question

How do you evaluate the investment climate in Russia, especially compared to other emerging markets such as China, India and Brazil, and especially in terms in market opportunities, government actions or regulations and security?

Oleg Deripaska - UC RUSAL - CEO

Tremendous progress. You can't compare Russia of '90s. For instance the number of tourists increased more than three times. That's extraordinary. There are still some issues but they're so minor. Today Russia experiences huge inflow of capital and huge margin on natural resources and of course growing buying power parity. It becomes an important market not just in terms of product consumption, but also in terms of production utilizing Russian natural resources.

There exist an issue of government institutions on the local level. But that is where partnerships help. The same is with mainland China I think. You can't do much without a partnership here. Proper partners will help you to avoid all the unnecessary mistakes. We still have a lot of issues with corruption, but it can be dealt with.

I believe that Russia represents a great opportunity, especially if you have solid product, a good know-how, a team of people able to establish the production facility and the marketing. And a proper partner would could source you with local content and provide access to the market.

Question

What's your advice to career-driven professionals regarding finding life/working balance?

Oleg Deripaska - UC RUSAL - CEO

Read and learn as much as possible, because after 32 you have a different brain mechanic. You will need to spend a lot of time for operational things which are very time-consuming. You need to be patient, to go many times through the same case in effort to understand a mistake and find a solution. You should always challenge yourselves. The day you stop challenging yourself you should retire someplace quiet. Otherwise try to find something else that drives you, a new excitement opportunity.