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UC RUSAL President's Forum

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PRESENTATION

CT Chan - Hong Kong University of Science & Technology - Interim Director, IAS

Hello. Good afternoon, ladies and gentlemen. Welcome to UST and welcome to this UC RUSAL President's Forum. This forum is organized by the Institute of Advanced Study and is made possible by a donation from UC RUSAL and will be hosted by our President, Professor Tony Chan. And on behalf of the university, I would like to extend our warmest welcome to our guest speaker today, Mr. Oleg Deripaska, and who is the CEO of UC RUSAL.

The forum today will actually mark the beginning of a series of 10 forums. And these forums will be in fact a major component of a five-year cooperation program between HKUST and UC RUSAL, and this is also made possible by a very generous donation by UC RUSAL. And hopefully this collaboration can promote cooperation between Russia and Hong Kong and in particular in the area of scientific research. Our Institute for Advanced Study is a community of eminent scholars. And we hope that this series of forum can become a platform in which the eminent scholars and other leaders in the community can share the success stories of our students.

And today the forum will be divided into three parts. The first part will be a talk given by Mr. Deripaska and the title will be 'The Power of Focus - Turning Opportunity into Success'. This will be followed by a dialogue between Professor Chan and Mr. Deripaska. And then the third part would be a Q-and-A session that's open to the floor and in fact it's open to everybody on the web. And in fact today's talk and dialogue would be broadcasted globally.

So at this point may I now invite our President Professor Tony Chan, to say a few words of welcome.

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

Thank you. Mr. Deripaska, the Honorable Ronald Arculli, the Honorable Professor KC Chan, Mr. Sergei Gritsay, who's our Russian Consul General, other distinguished guests, colleagues, students and friends from around the world watching this lecture live on the web, a very warm welcome to you all.

This President's forum, as the Professor CT Chan just explained, has been an HKUST feature for some time but this is the first time it is presented under the RUSAL sponsorship. It is the first such collaboration between the Hong Kong University and a Russian global business. As I speak this forum is being digitally broadcast live worldwide, including Russia. To kick off this historic event, it is perfectly fitting that we should have as our first distinguished speaker none other than the CEO of RUSAL, Mr. Deripaska himself.

After this June's press conference which witnessed the signing of the collaborative agreement between RUSAL and HKUST, Mr. Deripaska is no longer a stranger to us here at HKUST. Many of you probably know already that in January 2010, RUSAL became the first Russian company to be listed in the Hong Kong Stock Exchange, raising about \$2.24b. It is also the world's largest aluminum company, in 2009 accounting for approximately 10% of global production of aluminum and alumina ore. RUSAL employs about 76,000 people in 19 countries across five continents. RUSAL is now reaching out to Hong Kong University of Science and Technology. Hollywood might say that the Russians are coming in more ways than one.

Now a word about our Institute for Advanced Studies. The IAS is hosting this event. In fact it has been presenting leaders in science and technology as speakers in the past. Under this President's Forum leaders in business will also be invited, giving them all an even bigger platform and a much wider audience. A university is above all a community of ideas. The global era is the age of information and communication in which

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we learn from the East and the West, but above all we learn from the best. Today we are pleased that the CEO of RUSAL comes calling East for this RUSAL inaugural lecture.

I will leave it to Mr. Deripaska himself to tell you his story of success and his visions for the future, but I do want to thank him for picking HKUST as a partner. There is something actually very similar between his company and HKUST, Asia's top-ranked university of science and technology. That's how we like to think of ourselves. We both rose to unimagined heights within the last 20 years or so. In fact, HKUST will be celebrating our 20th anniversary next year. I hope all of you will join us in the celebration.

Mr. Deripaska is a man of many ideas and many successes. You may be interested to know that he was a physics student from the Moscow State University and who later earned an economics degree from the Plekhanov Academy of Economics. I hope I pronounced that correctly. He is of course best known as the man who has turned the Russian aluminum industry into the world's largest producer.

Mr. Deripaska served on the advisory boards of many important organizations. He has a Russian representation of the Asia-Pacific Economic Cooperation Business Advisory Council and Vice President of the Russian Union of Industrialists and Entrepreneurs. He sits on the Board of Trustees of the Bolshoi Theatre - I just learnt that a few years ago, there was a show here in Hong Kong - the School of Economics at Moscow State University. He is the cofounder of the Natural Science Support Foundation and the National Medicine Fund in Russia. He was named Businessman of the Year in 2006 and 2007 by Vedomosti, which is a leading business daily published in partnership with the Wall Street Journal and the Financial Times.

Now achieving all of these must have taken dogged determination, massive drive and visionary leadership. This is a story worth telling and worth hearing. I hope you enjoy Mr. Deripaska's presentation. So let me invite Mr. Deripaska to the podium and tell his story.

Oleg Deripaska - UC RUSAL - CEO

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 have 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. For me it was always important to compete, to be able to compete, but not just with classmates and colleagues, but first of all with myself and my dream. 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. There is one way in a book – I read a lot of books, but there is another way in real 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. When I was kid I was very inspired by the ideas of endless continuums of time and our universe. Those days I had no idea about big explorer and all these theories. That's how I went to the university and I tried to learn as much as possible.

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.

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 field 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. In times of collapse it was erased with no chance and that's why I went and tried to find what I can do. I liked math and I finished more than 30 different physics courses. I liked math and I finished more than thirty different physics courses. And I went to commodity exchange. I was very good in calculation and in those times a lot of materials couldn't find their way to the market -- who is going to buy, who's going to sell.

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It was an interesting time. When we started 'Perestroika', if you remember this word, it was very famous 20 years ago. But in grim reality we had to start with no institutions, no capital, no owners, 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.

We started -- and I had a lot of colleagues who also, in a way, graduated in math, physics, engineering, rocket science. We established trading company. We learnt about trading business, how markets operate, what customers expect from us. And we went to the business which I think now creates more opportunity for the future development.

It's aluminum. It's not a rare metal in terms of presence in the earth. It's second after silica. But it has a tremendous future. It's 100% recyclable. When you use aluminum and recycle aluminum, you spend two times less energy compared to steel recycling. It's light, it's very flexible and it's a great opportunity for the next stage of society development.

In Russia we have almost endless hydropower resources. And these hydropower resources are located in a very remote area. 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 entire automotive sector, packaging, construction, isolation materials. But to become number one aluminium producer in the world, we had to learn from our own operations practice.

And of course we learnt the operation practice. You can be very good in theory. You can learn the processes. But one thing which you read in your manual is completely different from how people actually use this manual. 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. And it's a great thing. "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.

But we not stop on this. We learnt more about aluminum and of course its industrial process. We have a lot of waste and we try to think what done to improve our sites. And of course we tried to understand how we can secure our business -- when you are exclusively in one metal everything can happen. Thus we have invested into another lucrative asset. Actually it was very risky and we almost break our neck but we ran through the crisis. We invested in one of the best assets in the world. I'm talking about 'Norilsk Nickel'. Nickel, cobalt, palladium, a lot of rare metals groups. For us it's also a great opportunity to explore Russian North. Russian North has always been a difficult area. 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 logistics. You have no railway roads connected with the North so it is kind of hard to manage assets. But thanks to global warming 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. And this is a credit for us, the way that how we will diversify our Company in the next 25 years and developing exploration in this area.

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, 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 hydrogenerator, you just need 18 minutes to open the water flow and put power.

In the next, I don't know, twenty-thirty years, we will have a 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 Mile 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.

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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 1,500 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.

QUESTION AND ANSWER

CT Chan - Hong Kong University of Science & Technology - Interim Director, IAS

Thank you. So it's time for the dialogue so may I invite the President and Mr. Deripaska on to the stage.

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

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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, how do you -- can you say something about the role of technology in --

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

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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.

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

So we should start thinking about a site for a Russian town in Hong Kong. Maybe next to Lan Kwai Fong. That's where we buy up the real estate first.

Okay, so I think let me invite Ms. Vera Kurochkina who will be the MC and mediate between the questions from around the world and also in particular this audience. I guess the question can be addressed in English, Chinese, Russian.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

Whatever it is, I just want to mention that we do have the live broadcasting and more than 1,000 people are registered and watching the live broadcast here. But we would like to start with Q&A session giving opportunities for those who are in the auditorium and we'll start with questions from the floor. Okay, please, first question? It's always hard to be the first but it's very honorable. Please, your question?

Audience Member

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 had a lot of various experience when I was young, for example in agriculture. It's a different life -- you need to grow and any mistake which you've done to the lifecycle, creates a completely different yield. You learn it very quickly, in the first months. I also got a lot of experience in the army where you have a lot of different people, different religions, different culture. . 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.

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I have always been 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.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

More questions please?

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

Maybe you can identify yourself when you say your question.

Audience Member

My name's (inaudible). I'm an HKUST alumnus. 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. We underestimated the shock which may have been caused by financial destruction. Even if we had thought about our diversification and we had done these investments in Norilsk, in crisis they dropped almost five times. We spent \$14b for this investment and development, 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 the people. 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 time and be engaged more with our local communities because it's local communities that suffer most of all in a crisis. Any time when you cut labor hours, any time when you stop operation, it immediately affects small and medium enterprises around your factories. We learned that we need to spend more time to develop local community economics and actually to promote education so that people could be easy transferred between different sectors to make sure that they're not locked in somewhere without being employed.

Crisis happened because of unequal development in many areas. I believe that there is more shock to come – no one can live with 14 trillion state debt and there is more in mortgages and credit cards. This is a reality we have in front of us. 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, a state has to be competitive at every moment.

That's why any project we start, any plant we consider 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 as quickly as possible. I do remember I was in the Bolshoi and the next day they said that the crisis started. It was becoming worse and worse every day. So this is the idea –that changes can come at any moment. You have to be ready.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

We have many hands and questions. If you don't mind we'll start with this part and then come back to you. Your question please?

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Audience Member

Hi. 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.

Vera Kurochkina - UC Rusal - Deputy CEO, Corporate Communications

We have questions here.

Unidentified Audience Member

(Inaudible), Master of Science student at HKUST. 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's difficult to share.

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

Save the world?

Oleg Deripaska - UC RUSAL - CEO

No, you can't save the world, but certainly you can try your best and it will pay you back. Everything's related. Everything has its own cause and consequence and vice versa.

I have just made you a presentation about an 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.

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

So it is to save the world. I think what you are thinking about is it make more money or just be happy, is that what you have in mind? Yes, so I think save the world.

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Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

If you don't mind I would like to give a chance to articulate a question which came from the guests of our broadcasting. 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 to the people 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 ergonomic behind it, and try to understand what can 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.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

More questions from the floor?

Audience Member

Mr. Deripaska, thank you very much for choosing HKUST as a partner for the cooperation. Actually I have also participated in this and thank you for extending Russian-Hong Kong ties and connections. But my question is how you see the further cooperation. You gave us some figures, feed-in money to start the projects, but do you think that we can extend cooperation to such an extent that it will be more beneficial for both sides? What are the future for our cooperation?

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. Though 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.

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

Sure. You remember what I said in June in the press conference. This is a down payment. That's what I said. You all heard me.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

Your question please?

Audience Member

(Inaudible question - microphone inaccessible).

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Oleg Deripaska - UC RUSAL - CEO

Russian future, we have our own issues and we have leaders who also learn more and more from the crisis, from development. I have a strong view that the company, especially in the hands of which you have so much resources, 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, in royal 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.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

More questions from the floor please?

Audience Member

Yes, 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?

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

Don't get any wrong ideas.

Audience Member

Thank you.

Oleg Deripaska - UC RUSAL - CEO

In my case it was much more simple. I just couldn't afford to study more. 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 me -- 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.

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

If I can add a personal note to the switching. If I remember, you got your degree in the early '90s. So the revolution and all that happened just a few years before then. So I have visited the Soviet Union in that time and I have many scientist friends. And so about the early '90s I was trying to keep in touch with them. They were really struggling. They didn't get their pay check for several months. I remember clearly. So when you do that, their families, they didn't get their pay check. So you really have to think about what you want to do. You grab the next opportunity that comes up I guess. So fortunately Hong Kong is not quite in that dire situation I hope. We have some finance ministers sitting in the front row so -

Oleg Deripaska - UC RUSAL - CEO

I should tell you it wasn't so bad because we have official scholarship – Vera, when you were studying, what was that? \$15 a month? But you can work and we used to work at our summer break, all around Russia, in Kazakhstan. We went to the north, tried to help establish gas fields. We went to the south, in Kazakhstan, helping them to build some agriculture infrastructure. It was quite refreshing when you spend four, five weeks in a year and you have enough money for the next semester.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

Your question please?

Audience Member

Yes, my name is [Abdullah]. I'm BA student. 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

In terms of security, there is a tremendous progress. You can't compare Russia in '90s and now. Your delegation from Hong Kong has just visited Russia. I think the number of tourists increased by more than three times. That's tremendous. It's not like in the Soviet Union any more. But there are still some issues to solve 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 exists 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.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

And if you don't mind as a final remark I suggest a question which from my point of view will be quite a logical one for a concluding remark. 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. And of course, 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 exciting opportunity.

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

It doesn't sound like you're going to retire any time soon.

Vera Kurochkina – UC Rusal - Deputy CEO, Corporate Communications

Thank you very much for your interesting questions.

CT Chan - Hong Kong University of Science & Technology - Interim Director, IAS

Thank you very much Mr. Deripaska, President Chan and thank you Ms. Kurochkina. So in fact we have to be very grateful to Mr. Deripaska because actually he's a very busy man and he came all the way from Russia to Hong Kong and he came from the airport direct to our campus. So to express our gratitude we have prepared a small souvenir so I would ask President Chan to present the souvenir to Mr. Deripaska.

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

I don't know where you came too fast but this was on our front door piazza and when you go out maybe you can take a look at the real thing. This is a sun dial. It's the symbol, emblem of our university. So every student here, every alumnus knows about this. So thank you very much for this very engaging talk.

CT Chan - Hong Kong University of Science & Technology - Interim Director, IAS

Thank you. This concludes the forum today and thank you very much for coming, for joining us. Thank you.