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РЫНКАХ?

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T. Heritage:

Welcome, everybody, to this panel discussion. I am sure that people are getting tired towards the end of the day, but I think that we have a very interesting topic to discuss. My name is Timothy Heritage. I am the Bureau Chief for Reuters in Moscow. I am on my third assignment here, so I have seen quite a lot of changes since my first visit as a correspondent in 1986. It is good to be looking forward. We have a great panel here. Thank you, everybody, for coming to attend. I think the subject is very interesting: Russian firms building global profits. This is not, perhaps, the easiest time, so how are companies preparing for the future? I have people who I would like to share their experience, their problems, and their successes, and how they see things now and in the future. If we could turn to Nordgold first, to Mr. Zelenski, who is going to talk to us about his personal experiences and his company.

N. Zelenski:

Thank you. It is a great pleasure to be at this forum and this panel. Just a few words about our company: we are an international gold mining company. We have nine mines in four different countries: in Russia, Kazakhstan, and the West African countries of Burkina Faso and Guinea. Just for the record, our production was near one million ounces and our revenue was slightly above USD one billion, and our EBITDA was above USD 400 million for 2013.

That is our business, and unlike many Russian companies that have gone overseas, the difference in our story is that we have not only bought assets, but we also have built assets in quite remote places. In 2013, we launched our mine in Burkina Faso that we built in 15 months from beginning to end, and this has been a very successful mine. It was built according to the industry's best practices. It was acknowledged as being a very high-quality mine by industry leaders. In the first year of its operation, it returned 17% of invested capital, so

the IRR of the project was 17%. We expect that our investment in this mine will be completely paid back in two years of its operation.

When we think about the reasons for our success, as a company operating in fairly exotic locations like these West African countries, I think one of the main lessons is that from beginning to end, we have built our business as an international business with the emphasis on implementing best practices in production processes and a strong performance culture. So what does this mean? For example, we have focused on acquiring the very best talent. Our mines in Africa are all managed by the best managers we could find on the international markets. They tend to be Australian, Canadian, or South African. For our production team, we have also reached outside of our traditional CIS labour markets, and we have again recruited managers from Australia, the U.K., and South Africa in addition to our Russian management team, in order to enhance it. This is really important, because this allows us to be competitive in the international arena.

The second important point is that we did not just bring our own rules into African business, but we tried as much as possible to adapt to the way business is done there, and we also have built close relations with the local governments and local communities.

Finally, another important factor that has brought us success is that we also come from an emerging country. I think that, as a young country, we are very open to establishing first-class processes. Sometimes very well-established Canadian or Australian companies do not have time to change their traditional processes, and I think that this sometimes gives us a competitive edge over some of the more established companies.

This has been an important component of our success, and I think with our strategy, we are actually disproving the stereotype that Russian industrial or mining companies can only be successful within the CIS space. The strategy has an interesting analogy. I arrived in St. Petersburg and looked around this very

beautiful city, which was built by best-in-class international architects. Most of the city was built by international architects. More recently, we saw the Sochi Olympics. This was a good example of the best talent from sports management being brought in and delivering an excellent outcome. All in all, we as a company have taken this approach to building high-quality international business, and I believe that so far it has worked. That is our story.

T. Heritage:

There are some hints there about how one might be successful. I wondered if you have some thoughts as well, Alexey, about your own company, which is involved with other countries abroad.

A. Tyupanov:

Thank you very much, first of all, for inviting me to this roundtable. I represent EXIAR, which is the Export Insurance Agency of Russia. A few words about us: we were created in late 2011. To keep the story short, we are a classic export credit agency, providing insurance services for Russian exporters and for banks, providing funding for foreign buyers of Russian exports. In that sense, we more or less copy the model of European ECAs, such as COFACE, a well-known name.

I would rather comment not on our development, but more on what we see in terms of demand coming from Russian exporters when they are trying to penetrate foreign markets. That would be more interesting. I will point out a few peculiarities here. Firstly, it is very important to mention that we focus on non-raw material exports, mainly exports with high added value. In Russia, this is mainly limited to aerospace, energy, and transportation, so these are our core industries. If you look at the projects we support, mostly they are medium- to long-term transactions. These are not standard supplies of raw materials or

goods. Usually these are long-term, 5- to 15-year, large-scale infrastructure projects. We help Russian exporters attract financing for those projects.

We have a very broad portfolio of projects on our books now, in the CIS, Asia, Central Asia, Europe, Africa, and all over the world. Our portfolio now includes 27 countries. The total value of supported export transactions has now reached almost USD 4 billion. We have quite extensive knowledge about what Russian exporters demand. We usually support Russian exporters when they bid for contracts in foreign companies. Maybe I will be a bit provocative here, but what we have faced is that Russian exporters are losing out in the bidding processes due to the higher cost of financing, because in every bidding process, you have to submit a financial package. Even with state support through EXIAR, VEB or other state financial institutions, the cost of financing is definitely higher than China, Japan, and European countries. Especially if we look at the Asian or African markets, today there have been many discussions about Russia turning to Asian markets rather than to Western European countries. All those markets are highly competitive, and we constantly have to compete with Chinese or Japanese companies, which provide long-term and very cheap financing. The only solution here that we can see is to expand the mandates of institutions such as EXIAR or VEB in terms of providing long-term, cheaper financing.

Two years ago, a new interest rate support mechanism was introduced in Russia, in which VEB provides a loan, and basically the state subsidizes the interest rate. This mechanism is in line with our obligations under the WTO and, in the future, with OECD regulations, if Russia continues in joining the OECD. Firstly, these instruments should be expanded and deepened if we want to compete on the foreign markets. Secondly, and maybe some of the exporters do not like hearing this, but unfortunately, price-wise and quality-wise, Russian exporters have started to lose their expertise. Sometimes we see not only Chinese but also European and Japanese companies providing the same or even higher quality products at a cheaper price. This is not even a question of

the financial package; it's a question of the price of the products that you create. This is something exporters should also look at and something we are increasingly facing. Now when we make a bid with a Russian exporter, they lose 9 times out of 10. This is not only because of the financing package; it is usually related to the quality and price.

Our President, Mr. Putin, said that we need to renovate Russian production facilities, and that the government should focus more on it. From our point of view, I can say that this is the right path, because we see that Russian exports lack this input from the government. This is what we see from our experience when we support Russian exporters abroad.

T. Heritage:

Thank you very much. That was an interesting take on things. We have Andrey Guryev here, who is General Director of PhosAgro, a company which has, of course, had many dealings abroad. Do you suffer any of these problems, or are you finding that it is relatively easy for your company to do business abroad?

A. Guryev:

That was a very interesting speech from my colleague, and maybe it will be a surprise for you, but PhosAgro has developed greatly over the last 10 years into the most competitive company in the world today. Today, PhosAgro is the biggest producer of high-grade phosphate rock and the second-largest producer of phosphate fertilizers in the world today, with a market share of 7%. Today we are the most successful; we just released our Q1 results for 2014, and they were extremely good.

Compared to all our peers in our industry, from America, Europe, Asia, and so on, how have we managed this? Over the last 10 years, we have spent billions on the modernization of our plants in Cherepovets and Balakovo. We started this process in 2003, and if you went inside the plants today, you would see that

PhosAgro has the newest assets not only in Russia, but in Europe too. You touched on the question of quality. Today we have the best-quality products in the world. The top management has put a huge amount of effort into achieving this, to create the best-in-class product that we have. When we talk about how we can earn from the global market, we have a 30% domestic and 70% export-oriented company, so a great deal of our attention has been focused on the export market. Also, in our business model, we are trying to understand what we need to do to be the best, to protect our market share, and to be able to achieve the highest price for our product.

From 2003 to 2014, we developed many products. We used to produce only three products, but now we have 25 different grades of fertilizer, which are special niche-oriented products with a high profit margin. This allows us to overstep traders and some distributors and bring our particular product to the particular farmer via the extremely diversified delivery scheme that we have. We deliver via containers, through ships, small vessels, big vessels, all types of cars, trucks, and port facilities, which we rent in Europe and some other countries. We have representative offices and trading offices. In particular, we opened one this year in Singapore in the Asian market, in order to be present at all times with the clients, to fully understand their needs and solve any problems that may arise.

The markets and the product are two major parts of competitiveness. The third, and one of the most interesting challenges for Russian companies today, is to be competitive on the financial market, to have access to cheap loans and all the instruments that are provided today on the global markets, like Eurobond issues, IPOs, and SPOs. That encourages the company to put a lot of effort into becoming transparent, to reassure and prove to investors, the banking community, and other institutional companies that the company is transparent, is doing the best job, is conservative in some respects, and so on.

One of the latest challenges that we have faced has been the construction of the new ammonia unit, which is underway today in Cherepovets. It is a Japanese

ammonia unit worth USD 760 million. We went through a nightmare with Ajapik, which is a Japanese export-import bank. They provided us with an unprecedented 13-year loan with a much lower interest rate than for our Eurobond issue. This was really unprecedented for the whole country. If you do business with Japan, you will understand what this involves, with all the environmental regulations and other things; it was a nightmare. But we did this, and it proved to everybody that PhosAgro is doing what it needs to do. We are transparent and fully regulated.

So how do we earn money from the global market, and how can we be competitive? What is competition today? Competition is having a sustainable cost curve on your business, as the Russian industrial sector that produces commodities and sells them for export makes up more than half of our GDP. That is the big issue, because we are competing not inside of Russia, but with the biggest and most modernized countries in the world, with the United States, China, Australia, and so on. This is where the real competition is, and we need the capital facilitation that is provided to other countries, such as the United States, Australia, and Europe. We need to have cheap, long-term credit in order to invest into infrastructure, because for the construction of ammonia units or any big investment, the return is 15 years at minimum.

This is where we have to be competitive: costs, markets, the cost of production, diversification of products, financial schemes, and of course political stability, which today we understand is vital. That is where we are, and that is what we have experienced over the last 10 years.

T. Heritage:

Thanks very much. If we may turn to TMK now: is credit financing a similar thing that you have dealt with, or what are the key issues?

A. Shiryaev:

Thank you very much, Tim, for inviting me to this panel. We have not had a problem with financing. We have, in fact, driven down our weighted average corporate interest rate continuously over the last five years, because we carried out a massive overhaul of our Russian equipment. Then, we also bought the American assets of the Canadian-American company IPSCO, and that was done on credit, so that has not been a problem. If I may say so myself, we are actually recognized as being pretty good at going into new regions, adapting to new markets, and building up alliances.

TMK is one of the leading global producers of steel pipe. We make everything from stainless steel syringe needles to 10-foot water mains, but 75% of what we sell goes into the oil and gas sphere. We now have 28 production facilities around the world, in Russia, the U.S., Canada, Oman, the United Arab Emirates, Romania, and Kazakhstan, and we ship to over 80 countries from those facilities. Last year, we shipped 4.3 million tonnes, which made us the world's largest shipper of steel pipe for the last five years in row. As I said, most of that was oil country tubular goods, with sales running at almost USD 7 billion. In fact, we are almost at the point where half of our sales are coming from outside of Russia. We are only just getting going now in Asia. We started a little bit earlier in Africa with a rep office in Cape Town, and we are active in off-shore in East Africa, Mozambique, and Ghana in West Africa.

We have also not neglected our R&D efforts, because we realize that today's premium product is tomorrow's standard product, and it does not hold any interest the day after that. We have two R&D centres: RosNITI in Chelyabinsk in the Urals, and the other one we just built in Houston. This is going to be joined shortly by a third centre in Skolkovo. We are also one of the premium designers and manufacturers of premium, ultra-hermetic connections, which were proven time and time again in the horizontal shales, first on gas and then on oil in the United States. We have between a 20 and 40% market share in some of these categories.

This is actually the way we go into new markets. We go into new markets with our leading product, the product that is most profitable, and we use that to get a foothold in the market. We have five divisions, but we consider our home markets to be the U.S. and Russia, where we have the bulk of our sales. If it is physically far away from those two home markets, we enter into an alliance and then proceed to build up our own production locally after a while. Once the production of the premium connections has started, we follow it up with our entire product range.

This has worked out very well for us. We are represented, on purpose, by manufacturing facilities in countries that account for 86% of the world's drilling, and the area that we are now going to concentrate on is Southeast Asia. We started up in Singapore several years ago, because it is the largest business hub in the region, and it is a rep office with a twist, because it does not only look at its home market but at the market in a total of 12 countries. In those 12 countries, we have identified a very fast-growing, large market of 11 million tonnes of oil country tubular goods being sold per year, and the market is growing there at about 3-5% per year.

In general, we emphasize high-tech products across the production palette and use them to open up the regions. We have already had some success in Southeast Asia. We have customers from Vietnam, Malaysia, Singapore, Indonesia, and South Korea, and we not only sell them OCTG (oil country tubular goods) but also piping products for geothermal products, and that will go, for example, to Indonesia, to Pertamina or Origin Energy. We do that all around the world, so it is not just oil and gas; we do thermal as well. All of Northern California, north of San Francisco, for example, runs on geothermal.

We have signed alliances to produce these premium connections locally. We have done it in Vietnam, Indonesia, and Malaysia, and over time, as I said, we will get active in these markets ourselves. We also have additional further plans in Southeast Asia, as there is another white spot on the market. We want to

become active in less well-known markets such as Burma, Papua New Guinea, Cambodia, Timor, Australia, and New Zealand. In Papua New Guinea, we have a very interesting new project where a company called Nautilus is using our pipe to “hoover” up soil from sub-sea volcanoes that is extremely rich in copper: 7% copper ore. This will be loosened by automatic, guided vehicles, and our pipe will be used to siphon it up to a floating production ship, and it will be given a first squeeze there before taken to ground.

All of this is to say that we are good at going into new regions. We have made ourselves very stable in the regions that we are already in. In just five years, the U.S. accounts for 30% of our sales, for example. We hope to continue to do that around the world, especially in Southeast Asia, Africa, and the Asia-Pacific. Thank you.

T. Heritage:

Thank you very much. Shiv, perhaps we can go on into your thoughts on this.

S. V. Khemka:

We are a foreign company active in Russia and in some other parts of the world. Perhaps I have been asked to sit on this panel because we on the Indian side have been helping companies from Russia and the Soviet Union come to India for the last 50 years. We have a different perspective on what makes them succeed and sometimes not succeed. We have been involved in every sector over the years: oil and gas, mining, high-technology, etc. For example, we have helped companies like Sistemsa, RusHydro, and Gazprom come to India, so we have been very involved in the India-Russia discussion for many years, including helping Indian companies come here.

In terms of Russian companies coming to India, I would say, unfortunately, that the tremendous strength of the Soviet Union from 1947 or 1955, when the Khrushchev-Nehru relationship really crystallized, up to 1990, was lost from 1991

to 2005. A lot of that energy and momentum that was created was lost. Some companies managed to keep it up, but generally there was a re-focusing on the domestic economy; there was a re-focusing on Europe and the West, and old friends were kind of forgotten for a period. That made India turn westwards and eastwards and figure out new models for getting assets. We could not get spare parts and all kinds of things in the 1990s, so people got fed up at that time and said, "Look, Russia is no longer a stable partner."

What we have been pleased to see since President Putin has come to lead this country is that there has been a re-focusing towards old friends like India and China. Although the 1990s was a very bad period, I think, there has been a re-focusing on India post-2000, but as I said at the plenary, I still think that unfortunately, the Russians have not really stepped up to the plate to take advantage of what is happening in India today. Our trade with the U.S. is USD 100 billion or more; with China it is USD 80 billion; and with Japan, Korea, and everywhere, it is in the multiple tens of billions of dollars. With Russia, which is a core partner that actually built all of Indian industry — every sector you look at was actually built by Soviet technology, and there is a deep respect and love and affection for the Russians in India — unfortunately, today you do not see the presence of Russia that really could be there with a little bit of thought.

However, I think the Russians have a big advantage, because they are liked in places like India. All over Africa wherever I travel, the Soviet legacy of many people studying in the days of Patrice Lumumba has created a huge legacy of goodwill that needs to be tapped appropriately. Some companies are doing it, I am sure, but many companies are still not really focusing on that, and they are looking towards Europe instead.

The second thing I would say is the training that Russian companies got in the 1990s and early 2000s means that they are well-prepared to work in the emerging markets, as they have had very tough training on their home ground. When they go to other markets they recognize things and say, "We dealt with this

like this; we can deal with this now.” It has made them very hardy and tough, and that is another strength. The legacy of technology, because the Soviet Union invested hundreds of billions of dollars in technology, has been a great benefit to the companies that have managed to capitalize on that legacy and continue to build on it, particularly in areas like defense and space.

I think there is also a big difference between state companies and private companies, a very different energy. When we talk about Russian companies going abroad, there is a very different energy between state companies such as Gazprom, Rosnet and the like, and private sector companies like our partners here at the table, which have a very different energy and momentum and way of working. I think that some of those things are strengths, such as the obvious strength of political influence for the state companies and the ability to sign a USD 400 million deal with China; all those sorts of things are advantages. For the private companies, they have the ability to be much more reactive, to move much faster, to build global teams, and to not worry about compensation systems and bureaucracy that are often not very conducive to hiring the best people and doing the best things. I think these two types of companies have very different challenges.

Whilst some of these things are strengths, they are also weaknesses. If you look at weaknesses, you will find with some of the state companies that their inability to move fast is a big negative. They are not able to move fast enough to capture all the opportunities in countries like India and other emerging markets. A delegation of authority is not adequately granted in a top-down model, and I think that is a problem. Private companies are smaller, need more confidence in some of these markets, and do not have the state protection that the big companies have, so in a way, a public-private partnership would be the right model to enter these markets. With your export credit guarantee plus people like RDIF, maybe those types of models need to be fully explored in order to make these things work better.

Another weakness is the old legacy ties, which were a strength but have now become a weakness. I do not think they allow the mindset of companies to change. When companies come to India, they still think like they thought 20 years ago, but times have changed both in India and in Russia. Unfortunately, the dialogue and the discourse is still about things like rupee-ruble trade and all kinds of things that are no longer relevant, that went out of the window many years ago. That mindset change is taking longer than we would have expected.

When I look at Russian companies coming to our part of the world, I also think the dialogue and discussion is often transactional rather than strategic. It is about shorter-term transactional profit creation, wealth creation, asset capture, and those kinds of things, rather than thinking about a 20-year strategy for a country with a GDP that has tripled from USD 520 per capita to USD 1600 per capita in the last decade. Twenty years from now when we are talking about India, you will have seen a huge growth in the Indian economy, because it is a bottom-up economy, not a top-down economy. China is very top-down driven; we are very bottom-up, and with some reasonable leadership, which we think now exists with the new Prime Minister, we think this is a turning point in our country's future.

Finally I would say that I am on the Board of Russian Helicopters. We have been looking at all kinds of opportunities. Obviously India has been buying helicopters for many years. But again, the mindset of creating a global value change, in terms of supplies and integration, is still not there. The attitude is that we will sell this and then we will think about producing, but that is not what everyone else is doing. If you look at Boeing or UTC or anyone else, they will come in and set up assets in India to buy into their global supply chain immediately, and because they do that, they learn about the country, they build connections in the country, and then they start selling into the country in a major way.

I think there is still a lot of work to be done, but I think Russian companies have a great future if they are able to do what you are doing in terms of hiring the best talent, supporting learning, and bringing in young people. You guys obviously

have a tremendous track record operating as one of the largest and most important suppliers to India, along with TMK. We think that there is a lot that can be done, that Russia has a great future, and it is just about keeping focus on some of these global trends and actually catching the wind in your sails.

T. Heritage:

Thanks very much. That was very interesting. Another colleague from Asia, Joe: perhaps you can offer your thoughts on this.

J. Watt:

Thank you very much, Tim. First of all, congratulations to all my colleagues around the table. It is very nice to hear good stories in the current times, and it is nice in this forum as well, because those things can be repeated. Thank you and congratulations to you. I represent Ernst & Young, and we see a lot of cross-border transactions. We see Russian companies going out and foreign companies coming in. Personally, as Tim mentioned, I have worked in Indonesia, Australia, and Russia, and there are some common themes, and so far you have all mentioned the fact that you are competing on a global stage.

When I was thinking about what I could say that would be interesting today, given the people who are on the list here, I expected that you would talk about R&D, the cost of finance, the best people, the price to quality trade-off, renovation and innovation, sustainable costs, and so on. What I thought about was to reflect on some of the more common things that we see in our profession, and that is Russian companies going abroad and buying into businesses. I tried to think about some of the more granular things that we see that might be interesting in the context of this discussion. I thought of a couple of consulting things that are worthy of mention. We do not always see consistency in these things, surprisingly, and of course there are some well-publicized failures and successes, but nonetheless, they are worth mentioning.

First of all is a well-thought-out investment plan, something that is consistent with a firm's global strategy, and looking into where the competition is. Really, at the end of the day, what are we competing for? All these companies are ultimately competing for volumes and profit. How does that manifest itself? If you think about what is at stake, if you think about projects, capital, competition for debt, markets, people, market share, clients and reputation, investment opportunities, technology, and even business awards. Those things all go in the direction of competition and things that should be in a well-thought-out investment programme. With respect to big state companies, we see and are involved with many such companies. Obviously alignment with the political agenda facilitates trade, but it is a little bit more challenging for private companies. For private companies, it is more about the grassroots level of going into a new market and being seen as a trusted business partner before you even get there, and how you create and grow an image abroad, particularly for a new market entrant that is buying into a business.

We have seen something that has been a long traditional issue affecting many smaller companies, and some big ones too, I might add, and this that in many cases, the ownership structure of Russian companies is not very clear. When you enter into a new market, it is not clear who the shareholder is, and that brings all sorts of questions from regulators about compliance, governance, and other related issues. It does make it interesting. We have seen that a clear ownership structure is a facilitator for quality results.

We also see one emerging trend, which is not unusual and has been mentioned, but it has a fundamental effect, and that is the existence within successful Russian businesses of truly international people in the country at this end. I would also say that it has been a time factor as well. There are a lot of high-quality Russian businesspeople now who are well-schooled and have work experience abroad, and they are bringing in that knowledge and the culture as well, so they understand how it works on the other end.

One thing that might be a surprise is that we sometimes see that companies do not do enough scenario planning. Just what can go wrong? I think that some of the current events are things that companies had not thought of before. One thing, in retrospect, is the cost of capital. At the moment, capital is not cheap, but we did go through a time when funds were relatively cheap. Twenty-twenty hindsight is a beautiful thing. There were some mistakes made, and now some companies are paying a heavy penalty for that. We also, surprisingly, see something that is perhaps cultural within Russia. We see a lot of deals done, quite sizable ones, without due diligence. That may work in the country here, because there is an understanding between the parties about what will happen if things do not work out. When things go cross-border, if proper due diligence has not been done, that understanding or fallback is not there, and we have seen some costly new issues come up too late in the day.

Another one is post-merger integration. Buying into an existing business is something that needs to be managed very carefully. Some things that may seem obvious do not always happen, and as I mentioned before, having well-versed international managers in your team helps very much to understand the acquired business, how to influence their work culture, build relationships, and foster communication that is consistent with what Russian headquarters would require. Post-acquisition, we quite often see Russian companies making mistakes with respect to two things: one is retention of in-country management in the required location, keeping the good ones; and second is the quality of reporting sent back and how to integrate all of that. We have seen some costly experiences there.

One item that is often overlooked is purely the cultural difference. This one is no surprise to anyone at this table. Even things such as working hours, ethics, and culture are a lot different than what you see in the Russian corporate environment. In some cases, employees may refuse to work overtime and weekends. That is a simple thing, but sometimes even a thing like the Russian style of ordering for something to be done does not change behaviour or create a

sense of urgency. Lastly, with respect to culture, and I think it has already been covered and you guys are all experienced in this, but in the current environment, I think Russian companies could spend more time preparing themselves to deal with new cultures further to the East in places like India, and understanding what opportunities are there. Thank you.

А. Карачинский:

Можно, я буду говорить по-русски? Мне так намного проще.

Я себя чувствую, как белая ворона. Здесь все в основном говорят о традиционном российском экспорте — сырье, вооружении, вертолетах и так далее. Мы же занимаемся технологическим бизнесом и работаем во многих странах — я периодически сбиваюсь со счета. Согласно последнему подсчету, их было 76.

Вы знаете, что в России замечательное образование: об этом все любят говорить. Система образования, которая была построена в Советском Союзе и которая сейчас достаточно успешно развивается в России, — это система, сильно ориентированная на инженеров. Это совсем другая образовательная модель. В основе ее лежат не разборы кейсов, а фундаментальные знания. Может быть, студентов не всегда учили применять эти фундаментальные знания: это очень хорошо для инженеров и, наверное, несколько хуже для менеджеров. Поэтому у нас есть нехватка менеджеров, как уже говорили некоторые мои коллеги, но с инженерами все хорошо, инженеры у нас очень креативные.

Это преимущество мы и попытались использовать в нормальной конкурентной борьбе. Мы занялись бизнесом за рубежом. До этого мы работали в основном в России, но после кризиса 1998 года все аналитики нам говорили: «Теперь десять лет в России ничего не будет, забудьте о будущем». Мы были страшно расстроены и начали изучать зарубежный опыт — в частности, опыт индийских компаний, которые разрабатывают

программное обеспечение для всего мира. И мы решили попробовать. Нам сказали: «Куда вы? Что вы? У вас не получится!»

Но прошло время — и сейчас в нашей компании насчитывается 12 000 разработчиков. Мы являемся самым крупным разработчиком финансового программного обеспечения в Европе — насчет мира не до конца понятно. С нами сотрудничают крупнейшие банки мира. Мы работаем для Deutsche Bank, для ИВС: я могу перечислить десятки крупнейших банков.

Оказалось, что российские программисты пишут очень качественное программное обеспечение и к тому же умеют находить нетрадиционные решения очень сложных технологических проблем, таких, например, как создание моделей управления рисками. Один человек сказал мне: «Я десять лет ищу людей, которые могли бы решить эту проблему, и вот теперь впервые увидел их». Это была очень сложная математическая, логическая, программистская проблема.

Мы работаем для финансовых организации и авиастроительных компаний. В течение пятнадцати лет мы являемся партнером компании Boeing: это один из самых крупных наших партнеров, для которого мы реализовали очень много проектов. Мы восхищаемся ими, потому что в Boeing быстро распознали таланты российских инженеров и доверили им проектировать самолеты: действуя таким образом, они привлекают не только российских разработчиков, но и инженеров. Они создают очень эффективные и правильные бизнес-модели. Я много раз наблюдал, как западные компании пытались взять этих инженеров к себе, не очень понимая, как ими управлять, как эффективно с ними работать — и им не всегда это удавалось. В Boeing приняли правильное решение: они сотрудничают с компаниями, не стремясь взять людей в свой штат, и это дает намного больший эффект. Мы считаем, что это правильная бизнес-модель для России.

Мы также стали крупнейшим разработчиком программного обеспечения на автомобильном рынке. Более того, мы начали создавать стандартные платформы. Мы работаем со всеми европейскими и американскими производителями, а также с некоторыми компаниями из Юго-Восточной Азии — в частности, из Южной Кореи. Многие из того, что установлено на ваших автомобилях — например, навигационные системы, — создано российскими программистами.

Аналогичная ситуация сложилась в телекоммуникационной отрасли. Большинство крупнейших телекоммуникационных компаний мира работают с нами, потому что у нас есть уникальные разработки в области управления сложными маршрутизаторами, коммутаторами и так далее. Все это делается разработчиками, которые находятся во многих странах. Наши главные ресурсные пулы — это Россия, Украина, Польша, Румыния, Болгария, Вьетнам: страны, главным образом восточноевропейские, модель образования в которых создана на базе российской.

Год назад мы сделали, мы стали публичной компанией, разместив акции на Нью-йоркской фондовой бирже. Это улучшило восприятие нашей компании, с нами стало комфортнее работать.

Сейчас происходит грандиозная технологическая революция — прежде всего в сфере информационных технологий. За последние несколько лет был разрушен, как выразился сегодня наш президент, «однополярный мир Microsoft»: появилось много различных платформ. Есть много программного обеспечения, которое было разработано под архитектуру Microsoft и сейчас устарело: надо его переписывать.

Мы наблюдаем появление облачных технологий, позволяющих значительно удешевить ИТ-инфраструктуру компании: многие компании сейчас меняют свои системы, чтобы воспользоваться этим преимуществом. Мы видим, как люди все чаще предпочитают мобильные устройства персональным компьютерам. Привычные нам предметы, такие как телевизор и телефон

становятся компьютерами. Автомобиль — это огромный компьютер на колесах, холодильник снабжается микропроцессором, и для всего этого нужны программы. Потребность в программном обеспечении за последние десять лет возросла в несколько десятков раз. Во всем мире наблюдается нехватка программистов и инженеров: прежде всего, это касается развитых стран.

Вспомните, кто из родителей в развитых странах двадцать лет назад хотел, чтобы их дети стали инженерами? Все родители хотели, чтобы их дети стали юристами, банкирами, еще кем-то. Никому в голову не приходило, что инженер-программист — это хорошо. Это было до Билла Гейтса, Сергея Брина, Стива Джобса. Сейчас эта профессия стала модной, но программистов по-прежнему не хватает во всем мире. Так, в Америке лишь 20% от всех студентов изучают не гуманитарные дисциплины — я не говорю «инженерные», я говорю «не гуманитарные». В Европейском союзе в прошлом году пришли к выводу, что им не хватает 350 тысяч программистов ежегодно. В Америке нехватка программистов составит около 5 миллионов человек в течение пяти лет. Это создает для нас отличные возможности: в России более 50% студентов изучают технические дисциплины.

Наша компания успешно развивается, ее годовой рост составляет в среднем 30%: в прошлом году было 27%. Мы успешно конкурируем с огромными компаниями — прежде всего индийскими, которые хорошо освоили аутсорсинговый бизнес.

T. Heritage:

Finally we will turn to Hakan. Sorry to keep you waiting.

H. Atesh:

I am the last and hopefully not the least speaker. I represent Sberbank Turkey, because Sberbank, the largest bank in Russia, acquired a stake in DenizBank Financial Services Group back in October 2012. Mr. Khemka said that most of the approaches are transactional rather than strategic, but nevertheless, this one was really strategic, as this was the historically biggest one-off investment abroad by the Russian Federation.

Actually, I am the founder and CEO. I established DenizBank from a greenfield investment back in 1997, and back in October 2004, we sold 25% of our shares to institutional investors. In October 2006, a really big Franco-Belgian bank acquired our shares, outbidding the other shortlist of candidates, and it was a historically large transaction at USD 3.3 billion. Due to the crises and due to their investment programme, Sberbank made a strategic move in October 2012 and paid a little over USD 4 billion. Nevertheless, they should be happy because in the last six quarters, we have made a net profit of around USD 830 million, which is almost 22% of the acquisition price, and this tells me that in less than five years they are going to break even.

This is good news, and moreover, we are a USD 1 billion bank with 750 branches. Twenty-five of them are in the German-speaking EU in Germany and Austria. We also have 15,000 FTEs. Nevertheless, when you look at Sberbank, by nature it has been a savings bank for over 170 years. But our Chairman, Mr. Herman Gref, whom I call the "change agent," with a really brave heart, made a big move towards Eastern Europe, where they made an acquisition, and then a couple of months later they bought DenizBank Financial Services Group.

He did so, I believe, because this was a political move for Russia rather than an economic move. The bank has around 300,000 FTES, 120,000 branches, 80,000 ATMs and so on, and the internationalization is there. The bank is diversifying its activities around the world, especially in this region. Why Turkey? Because Turkey complements Russia's economy. Russia is energy-rich and we are energy-hungry. We are at the transition of the energy-rich regions to the energy-

hungry regions to the West, and the route goes through Turkey. Seasonally, especially during summer, Turkey offers many benefits. Annually, we host 4 million tourists from the Russian Federation out of 30 million tourists in total, and there are more than 300,000 couples that are Russian-Turkish and Turkish-Russian, so this plays an important role. Economically, moreover, there are a lot of companies doing business there. Around 1500 Russian companies operate in Turkey, and more than 600 companies operate in Russia from Turkey, like Renaissance Construction from Ankara in construction, like Efes in the brewery business, like Şişecam in the glass industry, and so on.

On the other hand, as you may know, Turkey is short on energy, so we hope that the first nuclear energy plant in Turkey is going to be constructed by Rosatom by 2020, a Russian state company. There are a lot of interconnected activities between the two countries. Moreover, when Russia was the Soviet Republic under Lenin, it helped us gain independence in the 1920s, and there is a monument with two Russian generals in our Taksim Square.

Going forwards, we have quite ambitious targets. By the end of 2018, we are aiming to increase our assets from USD 41 billion up to USD 80 billion dollars. On the other hand, Sberbank sees us as an innovation centre. My dear colleague Mr. Zelenski talked about his very successful company, which we are following and collaborating with. In the digitalization of human life, in Twitter banking, Facebook banking, and the payment platform called Plus Pay, we are really innovative, and Russia and Turkey are sharing best practices. Also, geographically speaking, Turkey is located among the Balkans, the Caucasus region and the Middle East, so these places are prospects for the future, especially in the financial area. Our parent company Sberbank is also considering some plans to use us as a base over there.

When we look at the cultural part of this and how we adapt, we really adapt well, along with the corporate governance, internationally-accepted principles like transparency, accountability, and equality. In the Sberbank board in day-to-day

activities, the delegation is there, and we are really following our clients. Leadership, team spirit, customer focus, and mutual respect are values that we have adapted to companies. We have seen that there are a lot of people commuting from Russia to Turkey as experts and vice versa, and those people like learning more about each other. Even my dear Chairman, Mr. Gref, said during the signing ceremony that he did not know Turkey so well before, even though the countries share one sea, and he learnt a lot during the acquisition of DenizBank.

We are more than happy to be working toward bringing two nations together economically. In the region, we are well aware that Russia is a superpower, and Turkey has a strong, young, and robust economy with a good banking sector and good fiscal indicators. The current account deficit due to energy shortages might be a problem, but we are trying to find ways to finance this via joint projects, such as the one with Rosatom, the construction of refineries in the CIS countries, and so on. We owe a lot to each other. We are both teaching and learning, so it is a really good experience.

T. Heritage:

We do not have too long for questions, but if anybody has any questions from the floor, I would be very happy to hear them.

P. Monnier:

My name is Philippe Monnier. I am from the Economic Development of Western Switzerland. I have a question for Mr. Guryev. If I understood correctly, you said that you have a representative office in Singapore, and that it is very useful to be closer to the client and to better understand his needs. I understand that you are selling in many countries, so does this mean you will replicate the experience and open many other representative offices?

A. Guryev:

Today, PhosAgro sells its products to over 100 countries around the world. We opened our Singapore office because, like our colleagues said, it is a big hub between Asia and Southeast Asia. Singapore is not our main market, and I believe that this country buys maybe 100 or 200 tonnes; of course, the major market in this region is countries like Thailand, Malaysia, India, and all the big consumers who consume tens of millions of tonnes of fertilizers. To be there with this office is very important, because you are right next to the client and you understand his needs, not only today, but what he will need in the coming years. You need to understand his thoughts about the growth of the company. You need to live whilst being married to lots of people from different countries. That is how business connections work that bring a lot of value to the company.

Of course, we will bring this experience to different regions, such as Africa, which we believe will be a very sustainable region in terms of growth or demand for fertilizers, and one of the biggest regions to produce soft commodities that are really scarce in the world today. In particular, China has begun to import rice, corn, and other things, and this importation of soft commodities by China only began a few years ago. Also, a very interesting region that is developing and has a fast-growing market is Latin America. I think that it will bring much more business into the world, because it also has some infrastructure problems. They do not have an extensive railway system, and I believe that this will be built. There are lots of government programmes and support for this, particularly in Brazil, which will bring new arable land into business and industry, which will likely be far away from ports. So if we talk about points of growth and where we want to have representative offices, there are three regions: Asia, which is growing rapidly, Africa, and Latin America.

In the developed markets, such as the United States, Canada, or Europe, the question is only market share. There is no growth. It is done there. When you fight for market share, it is only a question of the quality of the product and the

price. That is it; you just move around. It works like this: if you wake up on your left side, it will be a good day for the developed markets, such as Germany or France, in terms of competition.

The other markets have a big potential to grow, and of course that is where we are going to be with our representative offices. But frankly speaking, I want to put Russia next to them, because if you look at the consumption of fertilizers in Russia, today you consume 38 kilogrammes per hectare, and in Europe it is 200 kilogrammes per hectare. In China, they consume about 120-130 kilogrammes per hectare. If we talk about India in terms of consumption of fertilizers, it is about 18-20 kilogrammes per hectare. In Europe, it is about 200 kilogrammes, and this intensive use of the arable land is where we see high potential for growth. If only India would change its subsidies to the proper rate of the application of fertilizers — which is a scientific figure, not something that plucked out of nowhere; there is a science which says how much needs to be added to the land — then this business could triple or increase ten-fold, as you can imagine. That is my answer to your question.

From the audience:

I have a question for Mr. Hakan Atesh. You described the very successful story of the acquisition of your organization by Sberbank, but from your experience as a banker on the Turkish market, you must see many Russian companies trying to enter the market and do something. From your point of view, what are the main challenges, difficulties, and weaknesses of the Russian companies? What should be done differently?

H. Atesh:

Actually, Turkey is quite liberal in its economic regime, attracting capital, paying out dividends, and so on. In terms of doing business and bureaucracy, we are now one of the top 20 countries in the world. As far as I see it, especially the real

estate ownership and new de-regulation, this has brought a lot of freedom to the investors, and there are a lot of them. When we were acquired by Sberbank, it was already operating in the CIS countries of Ukraine, Kazakhstan, and Belarus, together with Russia, of course. Going forward with their acquisition in Eastern Europe, they became active in the Eastern European countries, including Austria. With Turkey, now they have the ability to finance and support their investors in Turkey as well. From the Turkish perspective, foreign direct investment is most welcome. Arbitration and all the legislative things are all accepted. The EU directives, especially in economic terms, are all applicable, so your rights are protected by legislation. This is really promising for any foreign investor and, of course, for our Russian colleagues as well. There are a lot of examples, not only in infrastructure and energy but also in tourism and shipping. These are really good sectors that investors are coming for. Investors also come from CIS countries; I do not want to limit it just to Russia. They come from Azerbaijan, Kazakhstan, and Russia of course. There are a lot of investors, and their experience has been quite good in Turkey. I should say, so far so good: evolving, developing, emerging, and promising.

A. Shiryaev:

Tim, I wanted to make a comment about what Joe Watts said about respecting the employees and the employees' creativity in the countries into which you expand. At TMK IPSCO, we have sent a grand total of three people out of 3,000 from Russia, and on the contrary, have enjoyed a lot of exchange both in technology and in best business practices between Russia and the U.S. I have been involved with investments previously where there was a Russian behind every manager, and those did not do as well.

T. Heritage:

I just wanted to ask the people around the table the following: several people have mentioned the difficult political climate at the moment. Is that proving a problem, or is this something that people think will come and go? For example, one of the issues you raised, Joe, was about contingency planning and people not being prepared. Are companies now looking ahead 18 months or a year or five years?

A. Shiryaev:

We have contingency plans. We have looked at every possible scenario, and as you said, we have to think in scenarios. But then, we do that anyway. This situation was a little unexpected, but we do have different scenarios in place, and we have not felt any pressure on our business at all, even though a large part of our American division shipments are piped from Russia, Romania, and now Oman and re-processed in the United States. So far, so good.

J. Watt:

The only other comment I would make is that we see a lot of companies revisiting where trade is flowing in the new environment, understanding why other global competitors are in those markets, and re-evaluating whether they should access different markets, so we see companies starting to develop these scenarios.

S. V. Khemka:

I think outbound is one thing, but we have investments in Russia, and financing for those assets has dried up. The only place we can go to finance those assets is to Russian financial institutions or private groups or investors, and they understand that you have nowhere to go, and they are happy to make a deal with you for 50 cents on the dollar. Obviously that is not a great environment in terms of creating adequate competition for opportunities. If you are a foreign investor

here, it is difficult to be able to figure out how to continue to build your business, particularly if you need capital to grow. It is not that easy at the moment.

H. Atesh:

Finance can be considered the first sector to be affected in such turbulent weather, as long as the risk factor goes up. Nevertheless, it is obvious that this is not going to be overcome in a day or a year. If there is no escalation, I do believe there is a benign solution, and it will settle down. But going forward, of course, it is harmful not only for one side, but for everyone, so we are really hoping that a benign solution will be reached by the governing parties.

A. Tyupanov:

I would like just to make two comments on what we see from a financial market perspective. Firstly, liquidity is still out there. Of course, the perception of Russian state sovereign risk has changed a bit, and if you are active in the capital markets, you will now find sanction clauses in almost all loan agreements. Unfortunately this is the standard already, but it is a pretty new standard for the industry. We have never seen this before. What we are also seeing, because we have a special product for insuring foreign direct investments against political risk, and one would think that European countries or the U.S. would be zero-risk countries in terms of assessing the political risk, but now we see more and more demand coming from Russian investors who have assets in Europe or the U.S., asking us if we can provide insurance against political risks. This is fairly new for us as well. You will always find the usual suspects to be countries from Africa or Southeast Asia, but now you see more and more Eastern and Western European names, and the U.S. Things have changed, but from our side, we do hope that the situation will settle down. We do not need another large global crisis. No one needs it, so hopefully it will all settle down, and we will continue to do our job as we used to do.

T. Heritage:

Does the panel feel that this is a situation which will push people into different markets? You mentioned Asia and South America. Is this a process that was already happening and would continue anyway, or has it been accelerated in any way? We had a big example of the President going to China, and the big deal made there. Is that a sign of things to come?

A. Shiryayev:

Not in our case, because our clients want to be supported locally by their pipe suppliers and by their premium connection section suppliers, so these plans were all in place before.

N. Zelenski:

I think there is some logic in the way industry works. For example, in the mining industry, we have clear demand coming from the East, from China and India; we have a lot of knowledge and technology coming from the West, from traditional mining cultures such as Australia and Canada; and we have emerging companies where there are a lot of mining activities, because that is where most of the geological deposits are. That is a balance, and I do not think that it will be very easy for any political event to change this balance, because it now works in harmony. I think these political tribulations will pass, and the industry logic will continue to develop as it is right now.

T. Heritage:

We have run out of time, which is probably a nice thing, although I would suggest that we have had some stimulating debate. Does anyone have any last questions? Thank you to everybody. I thought it was very interesting; some great experiences were shared, and I wish you all the best for the future.