



Minister
OF ATOMIC ENERGY
OF RUSSIAN FEDERATION

21.05.96 № 222-27/4-01

RE: № 3.II-2I/406 from 26.04.96

Regarding the fate of Atommash OJSC

To the Chairman of the Committee for
Industry, Construction, Transport and
Energy of the Federation Council of RF

V.K. Gusev

cc:

Deputy of the Legislative Assembly of
Rostov region of Russian Federation

V.V. Miroshnikov

Dear Vladimir Kuzmich!

In connection with the appeal of the Deputy of the Legislative Assembly of Rostov region of Russian Federation V.V. Miroshnikov regarding the fate of Atommash OJSC I inform you about the following.

Atommash, the Volgodonsk plant of nuclear power machinery, has been created as a specialized enterprise for the production and delivery of complete pressurized water reactors equipment for nuclear power plants which were being constructed in former USSR and abroad according to the nuclear power development program.

Due to the cancellation of nuclear power plants construction program, Atommash found itself in a difficult situation, because the conversion of the plant for the production of equipment for other industries demanded considerable expenses, resources and time.

Over the last three years, significant effort to master the production of equipment for oil and gas, petroleum refining, metallurgical, coal mining and other industries has been conducted jointly with the Ministry of Atomic Energy of Russia.

However, as a result of non-payment problems, constant growth of energy prices, tariffs for transportation and high interest rates on loans, in December 1994 the structure of the plant's balance was deemed unsatisfactory, and in November 1995 the Arbitration Court of Rostov Region decreed external management on the enterprise for 18 months and appointed a bankruptcy referee by its decree.

Therefore, all functions of property management and personnel changes are the exclusive right of the bankruptcy referee until May 29th 1997.

The law enforcement agencies of Rostov region are inspecting the activities of LLPs created on the premises of different branches of Atommash. In order to conduct a deeper and better qualified examination of the case, the Department of Internal Affairs of Rostov region attracted the auditing firm "Audi". Services

provided by this company have been funded by the Ministry of Atomic Energy of Russia back in February 1996 as per the request from the Department of Internal Affairs of Rostov region.

The results of the inquiry have not yet been presented by Vogodonsk Internal Affairs to the concerned parties, including Ministry of Atomic Energy of Russia.

Due to a lack of investors eager to invest funds equal to a real value of a 30% share of the enterprise in Atom mash programs, the said share has not yet been sold.

According to the Order of the Government of Russian Federation from 04.10.95 № P-593ns we have submitted our proposal to the State Property Committee of Russia, Federal Office for Insolvency (Bankruptcy) Proceedings of the Russian State Property Committee and the Head of Administration of Rostov region to convert the "golden share" into a common stock and keep the unsold share of Atom mash OJSC in the state property for a period of three years.

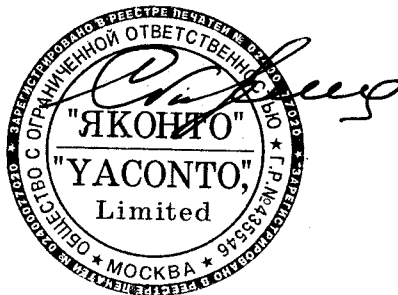
This proposal by the Ministry of Atomic Energy of Russia has not been supported by the authorities mentioned above, and as a result the Ministry of Atomic Energy of Russia lost the opportunity to influence decisions on the activities of Atom mash.

Hence, by making a decision to institute external management and by turning down the proposal of the Ministry of Atomic Energy of Russia to keep a certain equity stake at the State's disposal, the State Property Committee of Russia, Federal Office for Insolvency (Bankruptcy) Proceedings of the Russian State Property Committee and the Administration of Rostov region took full responsibility for the fate of Atom mash OJSC.


V.N. Mikhailov
20.05.96

This letter in English is a translation of an original text of a document in Russian, the existence of which I hereby confirm.

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