



MINISTRY OF ATOMIC ENERGY
OF RUSSIAN FEDERATION

DEPARTMENT
OF NUCLEAR ENGINEERING
AND INSTRUMENTATION

101000, Moscow, PO box 911

М. 01. 97 № 7-24

Re: № _____ from _____

To the MANAGING DIRECTOR OF
BASIC INTERNATIONAL
DEVELOPMENT CORPORATION

MR. V. MORFOPOULUS
63 WALL STREET
NEW YORK, NY 10005
TEL.212-943-3500; FAX 212-825-2250

DEAR MR. MORFOPOULUS!

We hereby express our appreciation of Your Letter from December 13th, 1996, containing information about BIDC Corporation and a request to provide detailed information about the industrial enterprise ATOMMASH OJSC.

At present, ATOMMASH OJSC experiences difficulties typical for a considerable share of Russian industrial enterprises. It is associated with a transition from planned to market economy, currently going on in our country.

We are absolutely confident that our industries in general and ATOMMASH in particular will overcome those difficulties.

We are interested in a mutually beneficial long-term partnership with serious and well-established western partners whose assistance will help us overcome the difficulties easier.

By Your request, we are submitting to You a brief overview of ATOMMASH in the below Attachment on 3 pages to this Letter.

Once again we thank You for contacting us.

Respectfully yours,

HEAD OF THE DEPARTMENT

KORYAKOV G.S.

ATTACHMENT

In response to Your request we provide you the following information about ATOMMASH OJSC.

Today, a number of largest enterprises define the contemporary level of Russia's industrial development. ATOMMASH, the flagship enterprise for nuclear engineering, located in VOLGODONSK, southern RUSSIA, Rostov region, in an ecologically clean area of the banks of Don River and Tsimlyansk Reservoir is one of such enterprises. ATOMMASH has established railroad, automobile and airline connections, as well as shipping links through Volgodonsk River Port, with many regions of RUSSIA, CIS countries and foreign states. Besides that, ATOMMASH has its own heavy duty mooring berth on Tsimlyansk Reservoir, which allows shipping bulky and heavy products to CASPIAN, AZOV, BLACK and MEDITERRANEAN seas. This fact is a natural advantage of ATOMMASH over its domestic competition.

Construction of ATOMMASH started in 1975, and already in 1981 it started producing equipment of its specialty. Being one of the biggest industrial complexes of RUSSIA and having 6 square kilometres of production facilities, ATOMMASH is equipped with unique imported modern equipment, over 80 % of which was purchased in Germany, Japan, France, UK, Italy, Austria, Sweden, USA and other countries, from concerns like Italimpianti, ESAB, Varian, Mannesmann AG. ATOMMASH possesses great productive potential and practically unlimited technological and other possibilities.

Due to establishment of market relations in Russia, ATOMMASH has significantly expanded the geographical coverage of its production programs and today, in addition to nuclear machinery equipment the quality of which has been confirmed by an international certificate from ASME (American Society of Mechanical Engineers), it is capable of producing over 1000 new kinds of products, utilizing modern foreign and domestic technologies. Those types of products include, but are not limited to: non-standard metal equipment of large sizes, various metal containers for energy systems (heat-, hydro-, wind power), metallurgical, mining, oil and gas production and processing systems, including ready for use plants for deep processing of oil and its residual fractions on the basis of cleaner technologies and processes, compact mini oil refineries with a capacity of 50 to 500 thousand tons per year, and mini-factories for recycling and processing of by-products and waste oil, equipment for the construction industry, including equipment for launch pads for missiles and spacecraft, for sea water desalination plants, containers for transportation and disposal of nuclear waste, railroad tank cars for transportation of liquid gas, etc.

It is also important to mention that ATOMMASH has successfully mastered the production of Biomass Power Generating Units (BEU – biomass energy units) for reprocessing of agricultural and animal breeding waste for farm enterprises, providing ecologically clean, high-quality fertilizers and methane, on the base of

which heat and electricity are autonomously generated. BEU solves ecological, economical, energy, agrochemical and social problems in the agricultural industry.

ATOMMASH is capable of producing equipment and products with a wall thickness of 1 to 400 mm, diameter up to 22 meters, length up to 80 meters and weight up to 1000 tons of highest quality. Development on ATOMMASH utilizes latest world's achievements, such as electron beam welding, automatic welding in narrow cutting, automatic welding of nozzles, welding of large-sized products with wall thickness up to 600 mm.

ATOMMASH possesses high-end equipment for heat treatment, welding, non-destructive testing (NDT), laboratories for exceptionally complex material testing and test facilities for finished products.

ATOMMASH has a considerable experience of exporting its production abroad, to countries like Germany, USA, France, China, Japan, India, Singapore, Bulgaria, Greece, Turkey, Iran, Cuba, Indonesia to name a few. ATOMMASH is capable of creating necessary equipment and constructions in large blocks via manufacturing, utilizing relatively inexpensive workforce, considerably reducing overhead expenses, delivery times, transportation costs, etc., significantly reducing project and production costs without loss in earnings and drastically increasing its competitiveness against production and projects of foreign and Russian peers.

ATOMMASH is a joint-stock company; 30 % of the shares are reserved for the State, but according to the Presidential Order that package is planned for sale at auction in 1997. The remaining 70 % interest belongs to individuals and firms.

Concern YACONTO is one of the largest shareholders of ATOMMASH.

The Annual General Meeting of shareholders, which makes key decisions on Company's activities, is the supreme governing body of ATOMMASH OJSC. Between the Meetings, ATOMMASH is operated by the Board of Directors which consists of 9 members headed by the Chairman of the Board.

Executive authority on ATOMMASH is headed by the General Director (CEO).

MINISTRY OF ATOMIC ENERGY
PO BOX 911, MOSCOW 101000, RF
TEL.: (095) 233-3969, FAX: (095) 239-4525

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

President of YACONTO LLC
 Sergey P. Yakunin



E-MAIL: YACONTO@MAIL.RU, WWW.YACONTO.RU
 Telefax: +7 (495) 686-9046, Mobile: +7-916-930-8718