

TO THE FIRST DEPUTY PRIME MINISTER  
OF RUSSIAN GOVERNMENT  
MINISTER OF FINANCE OF RUSSIA  
MR. CHUBAIS A.B.

№ 19-5-PKYA from 19.05.1997  
About the situation on Atommash OJSC

DEAR ANATOLY BORISOVICH

Concern YACONTO JSC (Russia, Moscow) appeals to you, being deeply concerned with the further fate of Atommash OJSC (Volgodonsk, Rostov region), Russian nuclear engineering flagship, 30% share of which is in Federal property.

Being one of the key shareholders of Atommash OJSC, today Concern YACONTO is trying to preserve Atommash as an indivisible Russian engineering complex, but does not enjoy an appropriate support from the federal structures.

Having said the above, Concern YACONTO asks you to realize the critical situation on Atommash and provide help and assistance in instituting economical and legal order to preserve this modern industrial complex – flagship of Russia's nuclear engineering.

Attached:

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|---|------------|
| 1. Annex  | on 4 pages |
| 2. Addendum   | on 2 pages |
| 3. Letter from the Russian Minister for Nuclear<br>Energy №DM-27/4-01 of 21.05.1996 | on 2 pages |
| 4. Documents  | on 3 pages |
| 5. Excerpt from the Register of shareholders<br>of Atommash OJSC                    | on 1 page  |
| 6. Executive summary  | on 2 pages |

Respectfully yours,

President of Concern YACONTO,  
Deputy Chairman of the Board of  
Atommash OJSC



S.P. YAKUNIN

*(Original text is in Russian.)*

## ANNEX

### State of affairs on ATOMMASH OJSC

Atom mash is one of the leading industrial companies of Russian nuclear engineering, equipped with unique modern equipment, 82% of which was purchased in the UK, USA, Sweden, France, Italy, Japan, Austria, Germany and other countries. Atom mash is capable of manufacturing equipment for oil & gas extracting and processing, mining industries, metallurgical production, etc.

In late 1993 Atom mash became a Joint-stock Company. Simultaneously, its executive management created dozens of LLPs and JSCs which started vigorous business activity, dealing damage to Atom mash; in the first place, these include LLPs like APP-1, APP-2, PKZ, ENERGOKOMPLEKT, ATOMMASHEXPORT, Russian-Bulgarian Company EUROTOUR-TT.

Among the co-founders of APP-1 LLP, ENERGOKOMPLEKT and EUROTOUR-TT was the General Director of Atom mash OJSC Alexey Golovin, who started destabilizing and destroying Atom mash as a single production complex in 1993, making the company hostage to his personal companies which dealt colossal damage to Atom mash and, as it turned out later, illegally became his creditors. All of this became possible under the patronage of several Russian officials and influential people. As per the information from the Department of Economic Crimes of the Rostov regional militia and the General Prosecutor's Office of RF, between 1994 and 1995, just two companies alone – APP-1 LLP and EUROTOUR-TT – dealt to Atom mash a direct damage in the amount of 165 Billion rubles by bringing priceless materials, goods and equipment abroad and selling them for a pittance. Moreover, this data is incomplete – the amount of damage dealt to Atom mash is much higher. And that's at the time when Atom mash had a debt of 87 Billion rubles (as of 01.01.1995), which included money stolen from Atom mash by the aforesaid pseudo-creditors. Today this money is used for personal benefit by a limited group of people. As for Alexey Golovin, he is still on Atom mash, but changed his role, having become the General Director of the illegally created EMK-ATOMMASH JSC, showing off as the only leader and savior of Atom mash, but at the same time leading the latter to total bankruptcy and liquidation. A number of influential officials are covering lawlessness and scandalous facts uncovered by incomplete inspections and audits of Atom mash OJSC, artificially hampered by someone; nevertheless, some facts leaked through, and they expose great-scale theft and embezzlement of the property of Atom mash and the State.

In 1994 Atom mash was artificially moved into the category of bankrupts. Officials and other concerned parties from the structures of power played an important role in that. We must also take into account that today the State owns 30% of Atom mash. That makes us wonder why the proposal of the Russian Ministry of Atomic Energy to transfer the equity stake in Atom mash to them was ignored by the Russian Agency for State Property Management.

At the time, the order book for 1995 was nearly complete, but was being artificially held back by Mr. Golovin; and that's while the technological capacity of Atomash allowed starting large-scale production of different kinds of unique goods both for the internal market and abroad, which could have saved the company from the financial crisis. These goods included:

- extra high durability containers for disposal of nuclear waste of NPPs and nuclear fleet, helping to prevent an ecological disaster of the future; the demand for those goods is at least nearly 1000 items already, at \$1 Million U.S. dollars per unit;

- railroad tank cars for liquid nitrogen, with a production of up to 1500 items per year – 30% cheaper than the ones RAO GAZPROM buys in Poland today;

- equipment for the extraction of residual oil from abandoned wells; there are thousands of those in Russia because there is no equipment that can extract that oil; Atomash could produce it (the amount of residual oil in wells reaches 20%, sometimes up to 40% of the total well capacity; extraction of those residues is 4 times cheaper than development of new wells);

- and other goods, important for Russian economy, production of which could save Atomash from the crisis.

And at that very time, the top-management of Atomash actively worked with the structures of state power and agencies to diminish the significance and capacities of Atomash as the nuclear engineering flagship, artificially creating a false message that there's no place for Atomash in Russian market economy.

Atomash is a very special company and, to some extent, cannot survive without the help from the State, since only the State has control over construction and modernization of nuclear power plants and other power generating facilities in Russia and abroad.

One of the Atomash's competitors, willing to bankrupt the company, is ENERGO MASHKORPORATSIYA (EMK) JSC. It has been founded by several joint-stock industrial companies owned by the management of those companies and officials from the state authorities, who, utilizing the imperfection of Russian legislature, continue illegally supporting and protecting the management of EMK in their quest to destroy Atomash. Some of the most ardent activists include: head of RAO UES Anatoly Dyakov, Deputy Minister of Minatom of RF Mr. Kurganov, Head of the Federal Agency for Insolvency Cases Peter Mostovoy, former First Deputy Prime Minister of the Russian Government Oleg Soskovets also played his negative role.

Total privatization in Russia, aimed at fundamental reforms in the country, was used for personal benefit by several high-ranking officials. How else can we explain the fact that the proposal of the Russian Minister for Atomic Energy, Mr. Viktor Mikhailov, to transfer the control over the 30% equity stake in Atomash OJSC to the Ministry for 3 years, so that the latter could control and manage the situation on Atomash, was ignored by the Federal Agency for State Property Management, which takes decisions in accordance with the Russian Law and officially desists in a month's time? How else can we explain the fact that the Federal Agency for Insolvency Cases refuses to conduct an inspection of the facts of unlawful actions committed on Atomash by its bankruptcy referee? It seems that the effort to eliminate the Russian nuclear engineering flagship has been planned in advance by

specific high-ranking officials on behalf of the State. What kind of successful reform in Russia are we talking about!

Today the President of EMK JSC Alexander Stepanov combines this position with a role of an external manager (bankruptcy referee) of Atomash OJSC; this is illegal, since both EMK JSC itself and its founding companies are direct competitors of Atomash, manufacturers of similar equipment in Russia and abroad. Hence, during the external management period, production has sharply deteriorated, Atomash missed several profitable contracts, its property has been sold and, consequently, a new joint-stock company EMK-ATOMMASH JSC was illegally established on the premises of Atomash. The most important and most liquid equipment of Atomash OJSC was discounted 8 (eight) times and contributed to the charter capital of the newly created JSC. These actions were approved by high-ranking officials and fully supported by the Head of FUDN RF Peter Mostovoy.

Another ardent supporter of EMK JSC, one of the key organizers of the destruction of Atomash is Tatyana Gramotenko – head of the Rostov region Territorial agency of FUDN (agency for insolvency cases). Having certain experience and interests, she has already bankrupted more than 100 companies in Rostov region, among which several major companies of Federal significance like Taganrog combine-harvester plant, Donetsk excavator plant, Azov baby food factory, etc. Tatyana Gramotenko influences the Rostov Property Fund so that EMK JSC can purchase the state-owned 30% stake in Atomash OJSC for a song as soon as possible.

Currently, at the orders of the external manager, a sale of the most valuable and liquid equipment is going on, including the conserved 4-th building of Atomash, where serial production of containers for nuclear waste transportation and disposal was planned, as well as production of railroad tank cars for liquid nitrogen, which are currently bought in Poland at a higher price than from Atomash.

Understanding that under certain circumstances a retribution for all the deeds against Atomash may come, Alexey Golovin and Tatyana Gramotenko count on excuse and support from the Government of Rostov region, while the unpunished Alexander Stepanov and Peter Mostovoy primarily count on the patronage from the “White House” (House of Russian Government).

After destroying its competitors on the Russian market – and, above all, Atomash – the EMK JSC will turn into a monopolist and in the nearest future will become an organization that will be able to dictate its terms, conditions and prices for complete sets of equipment for newly constructed and upgraded NPPs and other power generating objects of federal importance to the Russian Government.

Thus, the defeat and collapse of Atomash as a single complex of Russian nuclear engineering was facilitated by several “prominent individuals” who were expected to conduct fundamental reforms in Russia.

In order to urgently save Atomash from a general crisis, establish due order, restore the rule of law and justice, the following actions are required:

1. Keep the 30% share of Atomash OJSC, which is strategically important for Russian economy, in Federal property for the period of 3 years.

2. Appoint the Russian Ministry of Atomic Energy or Ministry of Fuel and Energy as manager of the said 30% equity stake of Atom mash OJSC.

3. Declare the creation of EMK-Atom mash JSC, carried out regardless of the opinion of the shareholders of Atom mash OJSC, illegal; cancel the decision of the Administration of Volgodonsk city to register EMK-Atom mash JSC and return all the property of Atom mash OJSC, illegally contributed to the charter capital of EMK-Atom mash JSC.

4. The newly appointed authorized representatives of the State – managers of the state-owned 30% share of Atom mash OJSC – should urgently collaborate with the major shareholder of Atom mash OJSC and together develop an action plan to save Atom mash as a single engineering complex, develop strategy and tactics to save Atom mash from the crisis and implement fundamental reforms in the interests of the shareholders and the State.

5. To hold a General Meeting of Shareholders of Atom mash OJSC in order to introduce new members representing the State – owner of 30% equity share – to the Board of Directors. Those members should be capable of executing the strategic reform for recovery of Atom mash OJSC's economical and production activity in the interests of the shareholders and the State.

6. Appoint a new General Director of Atom mash OJSC.

7. Instruct the law enforcement authorities of Federal level to conduct a thorough and deep inspection of the production and financial activity of Atom mash OJSC and all LLPs and commercial structures in order to identify the real amount of material damage they dealt to Atom mash and the State from the moment the company was corporatized (1993–1997).

8. Conduct a thorough analysis of production and financial activity of Atom mash OJSC during the period of external management, in order to identify the results of this management for Atom mash and the State.

9. Verify, in whose interest and for what purpose a part of the property of Atom mash OJSC was revaluated down from 4.5 Trillion to 600 Billion rubles, and the natural consequences of that for Atom mash, the State and the shareholders.

10. Identify, in whose interest and for what purpose EMK-Atom mash JSC was created, and what good did it do to Atom mash, the State and the shareholders.

11. In case the facts of material damage dealt to Atom mash are uncovered, file a suit to the guilty executive management and their companies, so that they compensate for the damage dealt to Atom mash and the State.

12. Find out, how and from whom ENER GOMASH KORPORATSIYA JSC bought up debts of Atom mash OJSC and the consequences of that for Atom mash, the State and the shareholders.

13. Address the Russian Government with a proposal to support the production projects of Atom mash OJSC for manufacturing of complete sets of high-tech equipment and goods for the development of national engineering in energy, oil & gas extraction and processing, metallurgy, mining and other industries.

*(Original text is in Russian.)*

## ADDITIONAL INFORMATION

### On the situation on ATOMMASH OJSC

President of EMK JSC Alexander Stepanov is, in practice, a figurehead of the company. Behind the scenes, EMK JSC is controlled and managed by Anatoly Dyakov – head of RAO UES and Vladimir Ovchar – President of “Podolsk engineering plant” JSC. Ovchar has influential friends, including former First Deputy Prime Minister of Russia Oleg Soskovets and his supporters.

In early 1980s, Vladimir Ovchar was a General Director on Atom mash PA. At the time, Atom mash had colossal reserves of raw and other materials, the bigger part of which was sold – or, better to say, stolen from Atom mash in the 1990s – primarily through APP-1 LLP, PKZ, EUROTOUR-TT, ENERGOKOMPLEKT, and, later, through EMK JSC. Opportunism and impunity of the executive management and the bankruptcy referee of Atom mash were nurtured by counting on the patronage from the Russian Government.

EMK JSC hastily bought – for a pittance – most of Atom mash’s debt from several frightened creditors, using cunning schemes, including mutual settlements for electricity charges and RAO UES promissory notes. Atom mash’s artificial liabilities created by companies co-founded by Alexey Golovin and Alexander Kokoulin, were almost completely transferred to EMK JSC.

During the period of the inspection carried out by the DAEC of Rostov regional police, several people who used to combine top management positions on Atom mash with positions in private companies were murdered in Volgodonsk.

Special attention should be paid to the attempted murder of Alexey Golovin’s most trusted associate – Deputy General Director of Atom mash (and, at the same time, head of a private company) Alexander Kokoulin, who had complete information and, behind the scenes, directly coordinated Atom mash and several private companies he created together with Golovin. Shots from an automatic weapon seriously damaged his brain.

Son of the Director of PKZ LLP Mr. Georgy Sobokar was murdered. Considerable amount of materials belonging to Atom mash was sold through PKZ LLP.

Mr. Astakhov, Head of the transport service of Atom mash, was murdered recently. Transactions, documenting, monitoring of import and export of raw and other materials, production and equipment of Atom mash, as well as various private firms and structures, was conducted through his service.

By some accounts from the narrow circle of Atom mash’s executive management, Alexey Golovin insistentl y looks for an opportunity to get access to large sums of money that Alexander Kokoulin keeps on his account in a foreign bank.

In several cases, raw and other materials of Atom mash were sold to “dummy” private structures, including ENERGOKOMPLEKT, and then sold back to Atom mash at a much higher price. Moreover, sometimes these materials never even left the territory of Atom mash – consignment notes were merely re-issued without

even changing the platform and car numbers. In some events, Russian metallurgical companies compensated their debts to Atomash with metal, which was debited, but never actually appeared at Atomash's warehouses and simply vanished.

The following people possess most complete and reliable information about production, economical and financial activity of Atomash:

- Deputy of the Legislative Assembly of Rostov region, Mr. Miroshnikov Valentin Vasiliyevich, former Deputy General Director for Economy, who used to work in PA Atomash and, subsequently, Atomash OJSC until summer 1996;
- Member of Rostov Bar Association, Mr. Spirchenok Valery Nikolayevich, former Head of Legal Department on PA Atomash and, subsequently, Atomash OJSC until summer 1996.

Information about the Open Joint Stock Company  
“ENERGOMASHINOSTROITELNAYA KORPORATSIYA”:

Legal address: 125171, Moscow, ul. Kosmonavta Volkova, 6A

Business address: 119034, Moscow, Butikovskiy per., 14 bld 5

Phone: 202-0135, fax: 291-9641

President: Alexander Stepanov

Charter capital (in thousands rubles): 50 000 000. Registered on: 17.04.1995

Codes: OKPO: 17872715, SOGU: 1244, SOATO: 1145271

#### Founders of EMK JSC:

1. “Elektrosila” OJSC. OKPO Code: 5757908  
196105, St. Petersburg, Moskovsky pr-t, 139, Tel.: 298-8510  
Share in the charter capital: 16.7%, money contribution: 0.000
2. “Podolsky engineering plant” CJSC. OKPO Code: 5015331  
142103, Podolsk, Moscow region, ul. Zheleznodorojnaya, 2, Tel: 137-9889  
Share in the charter capital: 16.7%, money contribution: 0.000
3. “Leningradsky metallurgy plant” OJSC. OKPO Code: 4860357  
195009, St. Petersburg, Sverdlovskaya embankment, 18, Tel: 542-7347  
Share in the charter capital: 16.7%, money contribution: 0.000
4. “Belgorodsky power engineering plant” OJSC. OKPO Code: 5799321  
308800, Belgorod, ul. B. Khmel'nitskogo, 111, Tel.: 2-3639  
Share in the charter capital: 16.7%, money contribution: 0.000
5. “Chekhovskiy power engineering plant” OJSC. OKPO Code: 5015348  
142300, Chekhov, Moscow region, ul. Gagarina, 1, Tel.: 62-372  
Share in the charter capital: 16.7%, money contribution: 0.000
6. “Petrozavodskiy plant of papermaking machinery” CJSC.  
OKPO Code: 5385543  
185650, Karelia republic, Petrozavodsk, ul. Zaytseva, 65, Tel.:909-00  
Share in the charter capital: 16.7%, money contribution: 0.000

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