

**January 30, 2013**

The Board of Directors  
JSC “RusHydro”  
51 Arhitectura Vlasova  
Moscow, Russia 117393

Members of the Board of Directors:

We understand that JSC RusHydro (“RusHydro” or the “Company”) proposes to acquire equity stakes (“Equity Stakes” and each separately, an “Equity Stake”) (the “Transaction”) in the companies listed in Annex A (the “Targets” and each separately, a “Target”) by making an exchange offer for the issued ordinary shares of the Targets (in respect of each Target, the “Target Shares”) to the current shareholders of the Targets pursuant to which such shareholders will be offered to exchange their Target Shares valued at the price per share as provided in Annex A (the “Target Share Exchange Price”) for ordinary shares of the Company (the “Company Shares”) at a price of 1 Rouble per Company Share (the “Company Share Exchange Price”).

You have requested our opinion as to whether each Target Share Exchange Price in respect of each Target Share and the Company Share Exchange Price are within ranges of value for the respective Target Shares and the Company Share such that they are fair from a financial point of view to the Company.

In connection with this opinion, we have, among other things:

- (a) reviewed certain publicly available business and financial information (See \* Note below) relating to RusHydro, its subsidiaries and the Targets;
- (b) reviewed certain internal financial and operating information with respect to the business, operations and prospects of RusHydro, its subsidiaries and the Targets furnished to or discussed with us by the respective managements of RusHydro, its subsidiaries and the Targets, including, certain financial forecasts relating to RusHydro, its subsidiaries and the Targets prepared by (or at the direction of) and approved by the respective managements;
- (c) conducted discussions with members of senior managements of RusHydro, its subsidiaries and the Targets concerning the matters described in clauses (a) and (b) above, as well as their respective businesses and prospects ;
- (d) reviewed the trading history for RusHydro’s and the Targets’ (where applicable) Common Stock and a comparison of such trading histories with the trading histories of other companies we deemed relevant;
- (e) reviewed the results of operations of RusHydro, its publicly traded subsidiaries and of the publicly traded Targets and compared them with those of certain publicly traded companies that we deemed to be relevant; and
- (f) performed such other analyses and studies and considered such other information and factors as we deemed appropriate.

\*Note: This information contained a combination of information prepared in accordance with International Financial Reporting Standards (IFRS) or Russian Accounting Standards, where IFRS information was unavailable.

In arriving at our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and have relied upon the assurances of the respective management that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the forecasts, we have been advised by the respective managements, and have assumed, that they have been reasonably prepared reflecting the best currently available estimates and good faith judgments of the respective managements of RusHydro as to the future financial performance of RusHydro and its subsidiaries, of the respective managements of the Targets as to the future financial performance of the Targets. We have not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of RusHydro, its subsidiaries and the Targets, nor have we made any physical inspection of the properties or assets of RusHydro, its subsidiaries and the Targets. We have not evaluated the solvency or fair values of RusHydro, its subsidiaries or the Targets under any laws relating to bankruptcy, insolvency or similar matters. We have assumed, at the direction of RusHydro that the Transaction will be completed in accordance with its terms set out above, and that, in the course of obtaining any necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transaction, no delay, limitation, restriction or condition, including any amendments or modifications, will be imposed that would have an adverse effect on RusHydro, its subsidiaries or the Targets or the contemplated benefits of the Transaction.

This Letter does not constitute an appraisal, nor have we carried out any appraisal activities as defined or considered as such in Federal Law No. 135 – FZ “On appraisal Activities in the Russian Federation” dated 29 July 1998 (as amended) or Federal Law No. 208 FZ “On Joint Stock Companies” dated 26 December 1995 (as amended), nor have we provided the services of financial advisor in the securities market in accordance with Federal Law No. 39 FZ “On Securities Market” dated 22 April 1996(as amended).

We express no view or opinion as to any terms or other aspects of the Transaction (other than the Company Share Exchange Price and each Target Share Exchange Price to the extent expressly specified herein), including, without limitation, the form or structure of the Transaction. We were not requested to, and we did not, participate in the negotiation of the terms of the Transaction, nor were we requested to, and we did not, provide any advice or service in connection with the Transaction other than the delivery of this opinion. We express no view or opinion as to any such matters.

Our opinion is limited to the fairness, from a financial point of view, to RusHydro of each Target Share Exchange Price and of the Company Share Exchange Price and no opinion or view is expressed with respect to any consideration received in connection with the Transaction by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view is expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transaction, or class of such persons. Furthermore, no opinion or view is expressed as to the relative merits of the Transaction in comparison to other strategies or transactions that might be available to RusHydro or in which RusHydro might engage or as to the underlying business decision of RusHydro to proceed with or effect the Transaction. We are not expressing any opinion as to what the value of RusHydro shares actually will be when issued or the prices at which RusHydro shares will trade at any time, including following announcement or consummation of the Transaction. In addition, we express no opinion or recommendation as to how any shareholder should vote or act in connection with the Transaction or any related matter.

We have acted as financial advisor to the Board of Directors of RusHydro solely to render this opinion and will receive a fee for our services, a portion of which is payable upon the rendering of this opinion. In addition, RusHydro has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement.

We and our affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of our businesses, we and our affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or

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short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of RusHydro and certain of their respective affiliates.

We and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to RusHydro and have received or in the future may receive compensation for the rendering of these services.

Notwithstanding our consent to RusHydro to make this Letter public by posting it on its website in the form and consent approved by us in writing, this letter is for the benefit and use of the Board of Directors of RusHydro (in its capacity as such) in connection with and for purposes of its evaluation of the Transaction and is not rendered to or for the benefit of, and shall not confer rights or remedies upon, any person other than the Board of Directors of RusHydro. Other than posting this Letter on RusHydro's website in the form and content approved by us in writing, this opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party, nor shall any public reference to us be made, for any purpose whatsoever except with our prior written consent in each instance.

Our opinion is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof. As you are aware, the credit, financial and stock markets have been experiencing unusual volatility and we express no opinion or view as to any potential effects of such volatility on RusHydro, the Targets or the Transaction. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise, or reaffirm this opinion. The issuance of this opinion was approved by our EMEA Fairness Opinion Review Committee.

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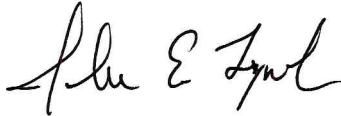
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Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that each Target Share Exchange Price and the Company Share Exchange Price are within ranges of value for the respective Target Shares and the Company Share such that they are fair from a financial point of view to the Company.

Yours faithfully,

MERRILL LYNCH INTERNATIONAL



John E. Lynch, MD

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## Annex 1

Target	Target Share Exchange Price (RUB)
JSC "Irkutsk Joint Stock Company of Energetics and Electrification"	19.50
JSC "Irkutsk Electronetwork Company"	4.29
JSC "RAO Energy System of East"	0.35
JSC "Sakhalin Energy Company"	736.00
JSC "Ust-Srednekanskaya HPP"	1.96

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