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THIS LETTER IS PROVIDED SOLELY FOR THE BENEFIT OF THE BOARD OF DIRECTORS OF RUSHYDRO FOR THE PURPOSES OF ITS EVALUATION OF THE STAKES, AND IS NOT ON BEHALF OF, AND SHALL NOT CONFER RIGHTS OR REMEDIES UPON ANY OFFICER, EMPLOYEE, SHAREHOLDER OR CREDITOR OF RUSHYDRO OR ANY OTHER PERSON, OTHER THAN THE BOARD OF DIRECTORS OF RUSHYDRO (ACTING ONLY IN SUCH CAPACITY), NOR MAY THIS LETTER BE USED OR RELIED UPON BY ANY PERSON OTHER THAN THE BOARD OF DIRECTORS OF RUSHYDRO (AND ONLY THEN BY THEM FOR THE AFORESAID PURPOSE).

IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS LETTER, YOU SHOULD SEEK YOUR OWN FINANCIAL ADVICE FROM AN INDEPENDENT FINANCIAL ADVISER.

August 2, 2011

The Board of Directors
Open Joint Stock Company RusHydro

51 Architectora Vlasova street
Moscow
117393, Russia

Members of the Board of Directors:

Open Joint Stock Company RusHydro ("RusHydro") has requested our view as to whether the valuation for each equity stake set out in Annex 1 hereto (each a "Stake", and collectively, the "Stakes") to be acquired by RusHydro in the entities set out in Annex 1 hereto (the "Companies" and each a "Company") fall within the estimated range of fair market values for that Stake. Each such acquisition of a Stake shall be referred to as a "Transaction".

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For these purposes, "fair market value" shall mean as at the date hereof, the likely value which a willing purchaser would pay a willing seller on the assumption that the purchaser and the seller are independent of each other, with neither being under any compulsion to buy or sell, respectively, and each having knowledge of the relevant facts.

In arriving at our view, we have reviewed and considered the information, documents and other matters referred to in Annex 2 hereto in respect of the Companies. Our view is also based on, and subject to, certain information, documents and other matters and on certain assumptions, caveats, qualifications and disclaimers contained or referred to in this letter (including the Annexes) (together, the "Letter").

In addition, we have held discussions with certain members of the management of RusHydro with respect to the past and current business operations of RusHydro and the Companies, the financial condition and future prospects and operations of RusHydro and the Companies, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our view, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by RusHydro and the Companies or on behalf of any of them or otherwise reviewed by or for us and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of RusHydro or any Company under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, we have not undertaken a physical assessment or review of any of the Companies' assets. In relying on financial analyses, projections, assumptions and forecasts provided to us or derived therefrom, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of RusHydro and any Company to which such analyses, projections, assumptions or forecasts relate. We express no view as to such analyses, projections or forecasts or the assumptions on which they were based and RusHydro's management has confirmed that we may rely upon such analyses, projections, assumptions and forecasts in providing our view in this Letter. Furthermore, our view does not address any legal, regulatory, taxation, professional valuation or accounting matters, as to which we understand RusHydro has or will obtain appropriate advice separately from its own professional advisers.

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Our view is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect our view expressed herein and that we do not have any obligation to update, revise, or reaffirm this view. This Letter does not constitute an opinion (or any other view) as to the fairness, whether from a financial point of view or otherwise, of the terms of any Transaction, including (without limitation) the exchange ratios or the consideration to be paid by RusHydro for any Stake in any such Transaction, and we express no view as to the underlying decision by RusHydro to engage in any such Transaction. Furthermore, we are expressing no view herein as to the price of RusHydro's securities used for the Transactions or at which any of RusHydro's securities will trade at any future time.

Neither this Letter, nor any information in connection with any Company and/or a Transaction constitutes or shall be relied upon as constituting, the giving of investment advice by us.

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 № 208 FZ "On Joint Stock Companies" dated 26 December 1995 (as amended), nor have we provided the services of a financial advisor in the securities market in accordance with Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996 (as amended). This Letter is given in our capacity as financial advisor to RusHydro and not as statutory appraiser or licensed advisor in the securities market and should not be relied on for any statutory purposes.

We will receive a fee from RusHydro for the delivery of this Letter. In addition, RusHydro has agreed to indemnify us for certain liabilities arising out of our engagement. In the two years prior to the date hereof, we have provided financial advisory and financing services for INTER RAO UES and have received fees in connection with such services. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of RusHydro and any of the Companies for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the terms of this Letter, it is our view, as of the date of this Letter, the valuation of each Stake falls within the estimated range of fair market values for that Stake.

Notwithstanding our consent to RusHydro to make this Letter public by posting it on its website in the form and content approved by us in writing, this Letter is

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provided solely for the benefit of the Board of Directors of RusHydro for the purposes of its evaluation of the Stakes, and is not on behalf of, and shall not confer rights or remedies upon, any officer, employee, shareholder or creditor of RusHydro or any other person, other than the Board of Directors of RusHydro (acting only in such capacity), nor may this Letter be used or relied upon by any person other than the Board of Directors of RusHydro (and only then by them for the aforesaid purpose). Other than posting this Letter on RusHydro's website in the form and content approved by us in writing, this Letter may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval.

Very truly yours,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

MORGAN STANLEY & CO. LIMITED

**ANNEX 1
THE COMPANIES**

Stakes to be acquired from the Federal Agency for State Property Management

	<u>Company</u>	<u>Number of shares acquired</u>	<u>Share price (RUB)</u>	<u>Stake (%)</u>	<u>Value (RUB MM)</u>
1	JSC "Boguchanskaya HPS"	180,450,000	5.946245	2.87	1,073
2	JSC "Geotherm"	6,300,000	13.174603	12.95	83
3	JSC "ZHS"	77,000	0.000012	2.89	0.000001
4	JSC "KamGEK"	1,187,917,534	0.446158	96.58	530
5	JSC "Kolimaenergo"	4,212,199,965	1.020844	34.49	4,300
6	PJSC "Pavlodolskaya HPS"	380,900	39.380414	100.00	15
7	JSC "Trust Gidromontazh"	97,052,500	11.334071	25.62	1,100
8	JSC "Ust'-Srednekanskaya HPS"	5,642,166,000	1.311553	37.21	7,400
9	5 Angara Cascade dams	NA	NA	100.00	7,588

Stakes to be acquired from INTER RAO UES OJSC

	<u>Company</u>	<u>Number of shares acquired</u>	<u>Share price (RUB)</u>	<u>Stake (%)</u>	<u>Value (RUB MM)</u>
1	JSC "Irkutskenergo"	1,906,723,080	25.959157	40.00	49,497

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**ANNEX 2
INFORMATION**

- (i) reviewed certain publicly available business and financial information concerning RusHydro and the industries in which they operate;
- (ii) reviewed the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration received for such companies;
- (iii) compared the financial and operating performance of RusHydro and the Company with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of RusHydro's Common Stock and certain publicly traded securities of such other companies;
- (iv) reviewed certain internal financial analyses and forecasts prepared by the managements of RusHydro and the respective Companies relating to RusHydro's and the Companies' respective businesses; and
- (v) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this Letter.