

3 November 2006

The Board of Directors
"RAO UES of Russia" OJSC
101 Vernadskogo prospect, bldg. 3
Moscow 119526
The Russian Federation

Dear Sirs

Russian Open Joint-Stock Company for Energy and Electrification "UES of Russia" ("**RAO UES**" or the "**Company**", and collectively with its subsidiaries, the "**RAO UES Group**") has asked us, ING BANK (EURASIA) ZAO and Investment Financial Company METROPOL Limited Liability Company, pursuant to an engagement (the "**Engagement**") set out in Agreement for Provision of Services for a Fee No. 47-5/71 dated 26 September 2006 (the "**Agreement**"), to give RAO UES our opinion (the "**Opinion**") from a financial point of view with respect to the fairness of:

- (i) the financial terms of the reorganization of RAO UES (in accordance with Article 19.1 of the Federal Law "On Joint-Stock Companies" No. 208-FZ dated 26 December 1995 (the "**Law 'On Joint-Stock Companies'**") through the spin-off from RAO UES of "OGK-5 Holding" Open Joint-Stock Company and "TGK-5 Holding" Open Joint-Stock Company (each hereinafter referred to as a "**Spun-Off Company**" and together the "**Spun-Off Companies**") with proportionate allocation of shares in the Spun-Off Companies among the shareholders in RAO UES and concurrent merger of the Spun-Off Companies to "The Fifth Generation Company of the Wholesale Electricity Market" Open Joint-Stock Company ("**OGK-5**") and "Territorial Generation Company no. 5" Open Joint-Stock Company ("**TGK-5**"), respectively (each hereinafter referred to as a "**Genco**" and together, the "**Gencos**"), as described in Schedule 1 that is inalienable part of this Opinion (the "**Reorganization**");
- (ii) the ratios for the calculation of numbers of ordinary registered shares and preferred registered shares in each of the Spun-Off Companies to be converted, in the course of the merger of the Spun-Off Companies to respective Gencos, in one ordinary registered share of a respective Genco using the calculation methodology described in Schedule 2 that is inalienable part of this Opinion (the "**Conversion Ratios**"); and
- (iii) the repurchase prices for the RAO UES shares which are required to be repurchased in accordance with the requirements of Article 75 of the Law "On Joint-Stock Companies", as described in the Information Statement dated 3 November 2006 prepared by Debevoise & Plimpton, legal counsel, if such shares are presented for repurchase by the shareholders who have voted against the resolution on the Reorganization or have not taken part in the vote on the said issue (the "**Repurchase Prices**").

The services provided by us pursuant to the Agreement do not constitute "appraising activity" for the purposes of Federal Law "On licensing of certain types of activity" No. 128-FZ dated 8 August 2001 and Federal Law "On appraising activities in the Russian Federation" No. 135-FZ dated 29 July 1998, and Regulation of the Russian Government "On licensing of the appraising activity" No. 395 dated 7 June 2002.

For the purpose of this Opinion, references to "**RAO UES Shares**" shall mean shares in RAO UES evidencing the rights of their holders (shareholders) to receive part of profits of RAO UES paid in the form of dividends, participate in managing RAO UES, and to receive part of the latter's property which remains following its liquidation in instances and pursuant to the procedure set forth by the

Russian legislation. References to RAO UES Shares shall include any securities of foreign issuers evidencing rights in respect of shares in RAO UES, namely, any securities issued pursuant to RAO UES's sponsored American Depositary Receipt Programme issued in respect of ordinary registered shares and preferred registered shares in RAO UES or RAO UES's unsponsored Regulation S Global Depositary Receipt programme (pursuant to Section 5 of the US Securities Act of 1933). For the purpose of this Opinion, references to "**RAO UES Shareholders**" shall mean the holders of RAO UES Shares and the holders of any securities evidencing the rights in respect of RAO UES Shares.

Our Opinion has been prepared on the basis of the following:

- (a) a review of documentation relating to the Reorganization provided to us by Company, the Gencos, and the directors, managers, employees and other representatives of those companies;
- (b) in relation to the Repurchase Prices, a review of a valuation report dated 11 August 2006 issued by Deloitte (the "**Appraiser**") upon the request of RAO UES in accordance with the requirements of the Law "On Joint-Stock Companies";
- (c) a review of the Information Statement dated 3 November 2006 prepared by Debevoise & Plimpton, legal counsel, retained by the Company to provide assistance in the process of transformation of the depositary receipt programmes for RAO UES Shares in the course of the Reorganization (the "**Information Statement**");
- (d) a review of research reports prepared by various brokers' analysts;
- (e) a review of the trading history of the RAO UES Shares since 2003 till September 2006;
- (f) a review of the accounts of RAO UES and for financial years 2004 and 2005, and for the financial period January-April 2006;
- (g) a review of the accounts of OGK-5 and TGK-5 for financial year 2005;
- (h) minutes of the meeting of the Board of Directors of RAO UES No. 229 dated 22 September 2006; and
- (i) other information, financial studies, analyses and financial, economic and market criteria which we deemed relevant for the purposes of producing this Opinion.

We have also compared the data provided to us with similar publicly available data for various other companies in the electric power sector, and we have considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which have recently been effected by such companies.

In accordance with the terms of the Engagement, in producing this Opinion:

- 1. We do not assume any responsibility for independent verification of, and we have not independently verified, any of the foregoing information and rely on all such information as being sufficient, complete and accurate and not misleading in all material respects, without any additional check being undertaken to verify the completeness and accuracy of such disclosure;
- 2. We have not had any responsibility for any aspect of the work that any professional advisers of RAO UES (including the Appraiser) have produced regarding the Reorganization and we have assumed as true and accurate and not misleading any work produced by such advisers;

3. We have assumed that any and all corporate actions of RAO UES in connection with the Reorganization will comply with the applicable law and internal documents of RAO UES, and that any and all information contained in the Information Statement is legally binding on RAO UES, reliable and up-to-date;
4. In connection with the Engagement, we have not made an independent evaluation or appraisal of assets and liabilities (contingent or otherwise) of RAO UES. This Opinion is based upon information available to us and pertaining to the financial, economic, political, social, market and other conditions relevant to the Reorganization as they exist and can be evaluated, as at the signing date hereof. With respect to any financial forecasts provided to us, we have assumed that such forecasts have been prepared on bases reflecting reasonable estimates and judgments as to future financial performance of RAO UES;
5. We have also assumed that all and all actions of RAO UES, RAO UES Shareholders, creditors of RAO UES, governmental bodies and other parties which are required under applicable law to effectuate the Reorganization are and will be taken with no detriment whatsoever for the Spun-Off Companies, the Gencos, the Company, and the RAO UES Shareholders;
6. We have also assumed that the Reorganization will not entail or might entail, in course of time, RAO UES' failure to perform any of its obligations; and
7. We have assumed that any and all information made available to us for the purpose of this Opinion is complete, reliable and corresponds to the data used by the Appraiser when developing the financial model to calculate the Repurchase Prices. We have not been provided with the above financial model.

The findings and conclusions contained in this Opinion are true solely as of the date of its issuance. Subsequent developments may affect the correctness of any conclusions contained in this Opinion, however, we do not have any obligation to update, revise or reaffirm this Opinion.

We are not requested to consider, and this Opinion does not address, the relative merits of the Reorganization as compared to any alternative business strategies or the effect of any other transaction in which the Company might engage.

We have been engaged by RAO UES to act as its financial advisor for the purpose of producing this Opinion for a fee.

This Opinion is solely intended for the attention of the Board of Directors of RAO UES and does not constitute the recommendation in respect of the approval of the Reorganization or any part of it to RAO UES, any holder of securities issued by any companies which are part of RAO UES Group, creditors, governmental bodies, exchanges or any other interested party involved in any way with the Reorganization or the Engagement. This Opinion is limited to the fairness from a financial point of view of

- (i) the financial terms of the Reorganization;
- (ii) the Conversion Ratios; and
- (iii) the Repurchase Prices.

We do not express any other views on the Reorganization, or its effect on the business of the Company or any part of it.

We do not accept any responsibility for the contents of this Opinion to any party (including RAO UES Shareholders, creditors, regulators, governmental bodies or self-regulatory organizations, exchanges, and other interested parties) other than the Board of Directors of the Company. In particular, although this Opinion may be made available to RAO UES Shareholders or shareholders of its subsidiaries, or the Boards of Directors of any of the subsidiaries, we do not accept any liability or responsibility to those persons for this Opinion. In addition, RAO UES agrees that our liability to the Board of Directors of the Company in any case will be limited in the manner set out in the Agreement and in particular, we shall not have any direct or indirect liability of any kind to RAO UES, or to any of its directors, employees, RAO UES Shareholders or creditors, arising out of or in connection with the Engagement, except for losses, claims, damages or liabilities incurred by RAO UES or caused to the Company to the extent they are found in a final judgment by a court to have resulted from a deliberate omission or negligence on the part of us, our affiliates or any of our subcontractors. In such circumstances, our liability will be limited to and may not exceed four (4) times the price of Services under the Agreement.

In the ordinary course of business, ING Bank N.V., Investment Financial Company METROPOL Limited Liability Company, and their affiliates (including ING BANK (EURASIA) ZAO) may actively trade securities issued by RAO UES or any companies belonging to the RAO UES Group for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

This Opinion is made in Russian and English. In the event of any discrepancies the Russian version of this Opinion shall prevail.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof:

- (i) the financial terms on which the Reorganization shall be effectuated and which are set out in minutes of the Board of Directors of RAO UES No. 229 dated 22 September 2006 and in the Information Statement (which are attached as Schedule 1 to this Opinion) are fair and reasonable;
- (ii) the Conversion Ratios specified below and attached as Schedule 2 to this Opinion are fair and reasonable;
 - a. quotient of 429,421,757,898,672 by 176,858,427,520,000 in respect of conversion of ordinary registered shares in OGK-5 Holding OJSC into ordinary registered shares in OGK-5;
 - b. quotient of 429,421,757,898,672 by 161,966,947,922,816 in respect of conversion of preferred registered shares in OGK-5 Holding OJSC into ordinary registered shares in OGK-5;
 - c. quotient of 429,421,757,898,672 by 5,837,982,478,180,000 in respect of conversion of ordinary registered shares in TGK-5 Holding OJSC into ordinary registered shares in TGK-5;
 - d. quotient of 429,421,757,898,672 by 5,346,424,353,517,240 in respect of conversion of preferred registered shares in TGK-5 Holding OJSC into ordinary registered shares in TGK-5; and
- (iii) the Repurchase Prices specified in the Appraiser's valuation report dated 11 August 2006 and approved by the Board of Directors of RAO UES (minutes of the meeting of the Board of Directors No.229 dated 22 September 2006) which equal:

- a. Sixteen (16) Roubles and forty one (41) kopecks per ordinary registered share in RAO UES; and
- b. Fourteen (14) Roubles and fifty four (54) kopecks per preferred registered share in RAO UES,

are in the range of fair and reasonable values of the Repurchase Prices though they might differ from the market prices of ordinary and preferred shares of RAO UES as of the respective date.


This Opinion is also subject to the following specific qualifications:

1. We understand that if the Reorganization does not qualify for an exemption available from the registration requirements of the US Securities Act of 1933, as amended, RAO UES Shareholders that are US citizens or legal entities incorporated in accordance with US Law will not be able to participate in the Reorganization, and as a result, the underlying shares that would have been distributed to such holders in the form of depositary receipts will be sold by the depositary of the depositary receipt program in which they participate and they will receive the net cash proceeds of such sales.
2. Our review of TGK-5 has comprised a review of the balance sheet of TGK-5 as at 31 December 2005. This balance sheet has been prepared by an internationally recognised firm of accountants in accordance with International Financial Reporting Standards. Although TGK-5 has provided us with the letter of representation confirming that, in their view, these accounts give a true and fair view of the financial position of TGK-5 as at the date to which they were prepared, we do not accept any responsibility for independent verification of, and we have not independently verified the financial position of TGK-5.
3. RAO UES shareholders may have various options in relation to the Spin-offs, including (a) voting in favor of the resolution to proceed with the Restructuring; (b) voting against the Restructuring; or (c) selling Shares to third parties irrespective of voting on Reorganization.

Yours faithfully,

ING BANK (EURASIA) ZAO


Head Risk Management



Investment Financial Company
METROPOL Limited Liability Company


Deputy General Director

Schedule 1

Description of the Reorganization Process

The equity structure of the Spun-Off Companies will be similar to the shareholder equity structure of RAO UES, i.e. each of the Spun-Off Companies will place forty one billion forty one million seven hundred fifty-seven thousand nine hundred and eighty-four (41,041,757,984) ordinary registered shares and two billion seventy five million one hundred forty nine thousand three hundred and eighty-four (2,075,149,384) preferred registered shares.

The shares of the Spun-Off Companies will be placed by means of their proportionate allocation among the RAO UES shareholders and acquisition thereof by the Company at the time of state registration of the Spun-Off Companies based on the data from the register of holders of the RAO UES Shares as of the respective date.

The Spun-Off Companies will be legal successors of RAO UES in accordance with division balance sheets to be approved by the RAO UES General Shareholders' Meeting. The charter capital of OGK-5 Holding OJSC will be formed out of seventeen billion six hundred eighty five million eight hundred forty two thousand seven hundred and fifty-two (17,685,842,752) ordinary registered shares in OGK-5 owned by RAO UES. The charter capital of TGK-5 Holding OJSC will be formed out of five hundred eighty three billion seven hundred ninety eight million two hundred forty seven thousand eight hundred and eighteen (583,798,247,818) ordinary registered shares in TGK-5 owned by RAO UES.

At the time its incorporation, on the date of its state registration, each of the Spun-Off Companies will be reorganized in the form of its merger to a respective Genco (OGK-5 Holding OJSC will be merged into OGK-5, and TGK-5 Holding OJSC will be merged into TGK-5). Thus, ordinary and preferred registered shares owned by the shareholders of OGK-5 Holding OJSC and TGK-5 Holding OJSC will be converted into ordinary registered shares in OGK-5 and TGK-5 which were placed previously and will be then at the disposal of the said companies and they will also be converted into additional ordinary registered shares in OGK-5 and TGK-5, respectively. If when calculating the number of shares which a particular shareholder in a Spun-Off Company is entitled to receive as a result of the conversion, the calculated number of shares due to such shareholder will be fractional, then its fractional part shall be rounded. In addition, each of the Gencos will place up to one million (1,000,000) additional ordinary registered shares.

The division balance sheet of RAO UES containing provisions whereby OGK-5 Holding OJSC and TGK-5 Holding OJSC are defined as legal successors of RAO UES will constitute transfer acts under which the rights and duties of OGK-5 Holding OJSC and TGK-5 Holding OJSC transferred thereto from RAO UES will be transferred to OGK-5 and TGK-5, respectively.

When describing the Reorganization in this Opinion, we relied on the documents listed in paragraphs (a) – (h) of the Opinion.

Schedule 2

Calculation of the Conversion Ratios

The ratios for conversion of shares are determined based on the number of ordinary and preferred shares placed by the Spun-Off Companies, the ratio between the prices of ordinary and preferred shares of the Spun-Off Companies, and the number of ordinary shares of the Gencos out of which the charter capitals of the Spun-Off Companies were formed, using the following formulas:

$$S_o = \frac{P \cdot d + O}{N} \quad \text{and} \quad S_p = \frac{P \cdot d + O}{N \cdot d},$$

where

S_o is a swap ratio for conversion of ordinary registered shares in a Spun-Off Company into one ordinary registered share in a respective Genco;

S_p is a swap ratio for conversion of preferred registered shares in a Spun-Off Company into one ordinary registered share in a respective Genco;

d is a discount ratio which equals the ratio between the price of a preferred share and the price of an ordinary share in a Spun-Off Company and is assumed to be equal to 0.9158;

N is the number of ordinary shares in the Genco out of which the Spun-Off Company's charter capital was formed;

O and P are the numbers of ordinary and preferred shares, respectively, placed by the Spun-Off Company.

The conversion ratios are to be calculated as follows:

1. The Conversion Ratios for conversion of ordinary registered shares in the Spun-Off Companies into ordinary registered shares in the Gencos:
 - a. The value of the charter capital of a Spun-Off Company (V_{SC}) equals the value of the block of shares (V_N) out of which the charter capital of the above company was formed, i.e: $V_{SC} = V_N$
 - b. The value of a block of N shares in a Genco is calculated by multiplying the number of shares by the price of an ordinary registered share in the Genco: $V_N = N \cdot P_{GC}$
 - c. The value of the charter capital of the Spun-Off Company (V_{SC}) is determined on the basis of the prices and the numbers of ordinary and preferred registered shares in the Spun-Off Company: $V_{SC} = O \cdot P_{ordinary} + P \cdot P_{preferred}$
 - d. Based on the equation given in paragraph (a) above ($V_{SC} = V_N$) and the formulas given in paragraphs (b) and (c) above, we get the following equation:

$$N \cdot P_{GC} = O \cdot P_{ordinary} + P \cdot P_{preferred}$$

Let us divide the above equation by the price of an ordinary share ($P_{ordinary}$):

$$\frac{(2,075,149,384 \cdot 0.9158) + 41,041,753,984}{17,685,842,752};$$

- b. The swap ratio for conversion of preferred registered shares in OGK-5 Holding OJSC into ordinary registered shares in OGK-5 equals:

$$\frac{(2,075,149,384 \cdot 0.9158) + 41,041,753,984}{(17,685,842,752 \cdot 0.9158)};$$

- c. The swap ratio for conversion of ordinary registered shares in TGK-5 Holding OJSC into ordinary registered shares in TGK-5 equals:

$$\frac{(2,075,149,384 \cdot 0.9158) + 41,041,753,984}{583,798,247,818};$$

- d. The swap ratio for conversion of preferred registered shares in TGK-5 Holding OJSC into ordinary registered shares in TGK-5 equals:

$$\frac{(2,075,149,384 \cdot 0.9158) + 41,041,753,984}{(583,798,247,818 \cdot 0.9158)};$$

In our opinion, when calculating numbers of shares in the Gencos to be received by the owners of Shares in the Company in the course of the conversion of shares in the Spun-Off Companies, the following rounding rules should be used:

- if the number in the first decimal place equals any number from 5 to 9, it should be rounded up to the nearest whole number (and digits in the decimals places should not be taken into account);
- if the number in the first decimal place equals any number from 0 to 4, it should be rounded down to the nearest whole number (and digits in the decimals places should not be into account); and
- if, as a result of the rounding-off, a shareholder ends up without being entitled to a whole share, the shareholder will receive one share in a respective Genco.

$$N \cdot \frac{P_{GC}}{P_{ordinary}} = O + P \cdot \frac{P_{preferred}}{P_{ordinary}};$$

Given the definitions of the swap ratios and the discount ratio, we get the following equation:

$$N \cdot S_o = O + P \cdot d;$$

Then:

$$S_o = \frac{O + P \cdot d}{N}.$$

2. The Conversion Ratios for conversion of preferred registered shares in the Spun-Off Companies into ordinary registered shares in the Gencos:

Same as when calculating the ratios for conversion of ordinary registered shares in the Spun-Off Companies, the following equation is true:

$$N \cdot P_{GC} = O \cdot P_{ordinary} + P \cdot P_{preferred}$$

Let us divide the above equation by the price of a preferred share ($P_{preferred}$):

$$N \cdot \frac{P_{GC}}{P_{preferred}} = O \cdot \frac{P_{ordinary}}{P_{preferred}} + P,$$

and then, taking into account the definitions of the conversion ratios and the discount ratio, we come to the following equation:

$$N \cdot S_p = O \cdot \frac{1}{d} + P$$

By multiplying both parts of the equation by the discount ratio, d , we come to the following equation:

$$N \cdot d \cdot S_p = O + P \cdot d,$$

and finally to:

$$S_p = \frac{O + P \cdot d}{N \cdot d}$$

The actual values of the conversion ratios in accordance with minutes No. 229 dated 22 September 2006 of the meeting of RAO UES' Board of Directors are given below:

- a. The swap ratio for conversion of ordinary registered shares in OGK-5 Holding OJSC into ordinary registered shares in OGK-5 equals: