

PRELIMINARY APPROVED

APPROVED

**By the Board of Directors, Mechel Open
Joint Stock Company**

**By the Annual General Shareholders' Meeting
of Mechel Open Joint Stock Company**

ANNUAL REPORT
MECHEL
OPEN JOINT STOCK COMPANY

General Director

I.V. Zyuzin

Chief Accountant

E.L. Kryazhevskikh

2007

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1. INFORMATION ON THE COMPANY

Mechel Open Joint Stock Company (hereinafter, the "Company" or "Mechel OAO") was founded on March 19, 2003, and registered by Inspection No. 3 of the Ministry of Taxation of the Russian Federation for the Central District of Moscow as Mechel Steel Group Open Joint Stock Company. In July 2005, the Company was renamed into Mechel Open Joint Stock Company.

The Charter Capital of the Company as of the moment of its foundation, amounted to 3,829,690,860.00 rubles paid up in the form of shares of metal working and mining companies and consisted of the nominal value of 382,969,086 common registered book-entry shares of steel and mining companies with the nominal value of 10 (ten) rubles each. The Charter Capital of Mechel OAO amounted to 4,162,707,450.00 rubles, as of December 31, 2006, and is comprised by 416,270,745 common registered book-entry shares with the nominal value of ten (10) rubles each.

As of December 31, 2006, common registered shares of the Company are included in the B-Level Quotation List of the Nonprofit Partnership Russian Trading System Stock Exchange (НП "PTC") and the Russian Trading System Stock Exchange Open Joint Stock Company (ОАО "PTC"). The shares of the Company are dealt in at the Classical Market of Russian Trading System Stock Exchange Nonprofit Partnership (hereinafter, the "NP RTS") and at the Stock Market of Russian Trading System Stock Exchange Open Joint Stock Company (hereinafter, the "OAO RTS").

Common registered shares of Mechel OAO are traded outside of the Russian Federation in the form of Level 3 American Depositary Receipts (hereinafter, the "ADR") at the New York Stock Exchange. Each ADR represents three common shares of Mechel OAO.

Mechel ADR Price Performance for 2006



The Register Holder of the Company is Regional Independent Registrar Agency Open Joint Stock Company of 23 ul. Komintern, Tula, Russian Federation, acting on the basis of license

No. 10-000-1-00261, issued by the Federal Commission on the Securities Market for an indefinite term on November 29, 2002.

Being a parent company Mechel OAO has got subsidiaries and associated companies in Russia, Romania and Lithuania that operate in the field of mining, including production and sale of iron ore, nickel, metallurgic and power-station coal, in the field of metallurgy, including production and sale of billets and rolled section carbon and alloy steel, carbon and stainless steel sheet products, render handling and transport services and generate electricity. Together with its subsidiaries and associated companies Mechel OAO forms a holding (hereinafter, the "Company" or "Mechel").

Principal Subsidiaries and Associated Companies of Mechel OAO:



Southern Kuzbass Coal OAO (Mezhdurechensk, Kemerovo Region) is one of the largest Russian producers of metallurgic and power-station coals. The Southern Kuzbass enterprises use mining-and-transport equipment of domestic and foreign manufacture. High quality of products, volumes of recoverable reserves in the area of which a substantial proportion of coals are of coking grades, as well as occurrence of promising coal deposits promote successful development of the company and an increase in the volumes of coal extraction.

In the photograph: coal drawing at the Sibirginskaya Novaya Mine



Korshunov Mining Plant OAO (Zheleznogorsk-Ilimsky, Irkutsk Region) is an industrial complex for extraction and beneficiation of iron ore. The raw-material base of the enterprise includes Korshunovskoye, Rudnogorskoye, and Tatianinskoye iron-ore deposits. The enterprise uses mining-and-transport equipment of domestic and foreign manufacture.

In the photograph: quarrying.



Southern Urals Nickel Plant OAO (Orsk, Orenburg Region) produces nickel and its compounds. Products are manufactured with the use of nickel ore mined on proprietary deposits: Sakharinsky and Buruktalsky mines. The Plant supplies its products both to other steel plants in Russia and for export.

In the photograph: converter matte tapping.



Chelyabinsk Metallurgical Plant OAO (Chelyabinsk, Chelyabinsk Region) produces a wide range of products: coke, iron, rolled steel, semi-finished products made of rolled carbon and alloy steel, as well as forged blanks. Chelyabinsk Metallurgical Plant holds a certificate of quality management conformance to international standard ISO 9001:2000. Chelyabinsk Metallurgical Plant is one of the few country's enterprises entitled to put its own code ChS (Chelyabinsk Steel) on its products. Over 130 such grades of steel are currently produced.

In the photograph: a billet, still hot, in the cooling bank of CC No. 4.



Izhstal OAO (Izhevsk, Udmurt Republic) produces rolled section and calibrated construction, structural alloy, instrument and high-speed steels, silver steel, stainless electrode wire, high-precision steel shaped sections, cold-rolled and flattened strips, stampings and forgings. The enterprise is equipped with vacuum-arc and plasma-arc remelting furnaces and has got a forge-and-press shop. Izhstal holds a certificate of quality management conformance to international standard ISO 9001:2000, as well as TUV certification for hot-rolled mill products compliance with AD WO/TRD 100 requirements.

In the photograph: a billet



Beloretsk Metallurgical Plant OAO (Beloretsk, Republic of Bashkortostan) produces rolled wire and a broad spectrum of metalware from wire rolled wires. The plant manufactures flywire and strips of corrosion resistant and precision alloys of various applications. The Beloretsk Metallurgical Plant carries a certificate of quality management conformance to international standard ISO 9001:2000.

In the photograph: spring wire manufacturing.



Urals Stampings Plant OAO (Chebarkul, Chelyabinsk Region) is the largest manufacturer of alloy-steel stampings in Russia. The plant employs the most powerful counter-blow swage hammer in the world with a striking energy of 1500 kJ for manufacturing stampings of up to 2.5 tonnes in weight and up to 4 meters in length. Urals Stampings Plant carries a certificate of quality management conformance to international standard ISO 9001:2000. The quality of the enterprise's products is annually confirmed by the Association of American Railroads (AAR) and Air Register of the International Verification Agency.

In the photograph: the plant's stampings.



Moscow Coke Gas Works OAO (Vidnoye, the Moscow Region) situated in the heart of the country features an advantageous geographical location and enduring market outlets. Coke-chemical products of the enterprise are in demand in the domestic market and are largely sold to enterprises situated in Central Russia and exported, in particular, to Ukraine and EU companies. A competitive advantage of the plant is its freedom from want of electric energy which is generated at its own electric power plant with an installed capacity of 30 MW.

In the photograph: a face of a coke cake in the battery.



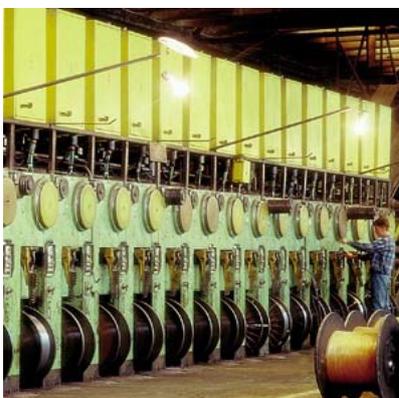
Vyartsilya Metal Products Plant ZAO (Vyartsilya settlement, Republic of Karelia) manufactures metalware, including low-carbon, welding and structural-grade wire, galvanized nails and polymer-coated steel mesh from rolled wire. To date, the plant is the country's only manufacturer of hot-dip-galvanized nails.

In the photograph: a coil of wire.



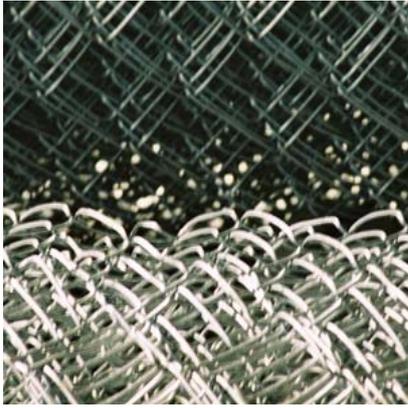
Mechel Targoviste (Targoviste, Romania) is the Romanian largest primary metallurgical establishment manufacturing rolled carbon and alloyed steel, forged and calibrated products for machine building, automotive, civil engineering, metalware, bearing and tubeworks industries. The quality management system of the enterprise conforms to international standard ISO 9001:2000.

In the photograph: a ladle of melted steel at a CC machine.



Mechel Campia Turzii (Campia Turzii, Romania) is a primary metallurgical establishment manufacturing rolled carbon and low-alloy steel for machine building, reinforcement steel, rolled wire, metalware, including various kinds of wire, wire ropes, meshwork, electrical cables and nails. Mechel Campia Turzii carries a certificate of quality management conformance to international standard ISO 9001:2000. In May 2002, the plant obtained a certificate of ecological conformance to ISO 14001.

In the photograph: dies with wire.



Mechel Nemunas (Kaunas, Lithuania) is a primary metallurgical establishment specializing in the manufacture of metalware. The plant's product mix includes wire, calibrated steelwork, nails, rolled wire and meshwork. Most of the products are supplied to EU consumers.

In the photograph: Rabitz type steel-wire fabric.



Trade Port Posiet OAO (Posiet, Primorski Krai) a merchant seaport engaged in transshipment of various bulk goods, mostly coal. The advantageous geographical position of the Posiet port on the coast of the Sea of Japan, south of Vladivostok, Russia's Chinese and North Korean boundaries, connection with the trans-Siberian Railroad, automobile and rail roads linking boundaries of 3 states make it possible to optimize transportation of the enterprise's products to the Asia-Pacific Region. The port is capable of working vessels with a freight-carrying capacity of up to 25 thousand tonnes the year round.

In the photograph: moorage wall and harbor cranes.



Port Kambarka OAO (Kama, Udmurt Republic) is one of the most deep-water river ports in Russia. The enterprise specializes in transshipment of bulk goods, including ore, iron-ore concentrate and coal. Thanks to a considerable for a river port water depth and advantageous geographical position near Gorkovskaya Railroad, the port is capable of working river-marine class vessels going not only to Russia, but also to European countries: Finland, Sweden, Norway, Great Britain cross the Baltic and North Seas.

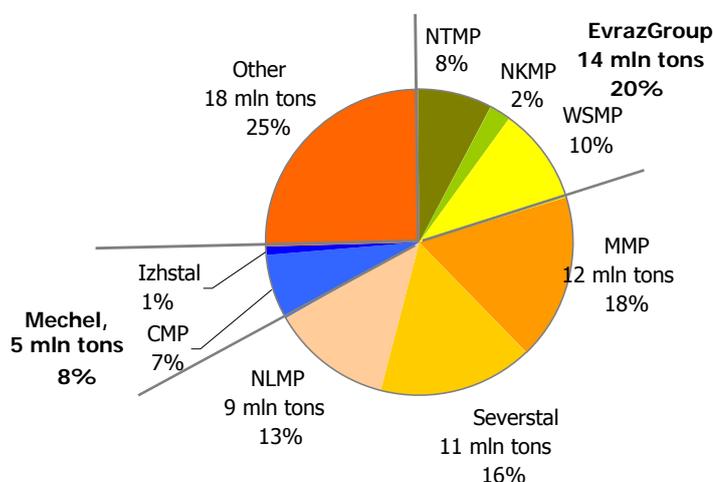
In the photograph: a five-thousand-tonne vessel puts into the port.

The company on the whole is a low-cost group of integrated mining and steel enterprises. Mechel's mining activities are focused on natural resources used in steel production; it is mostly carbonization coal, ironstone and nickel. Mechel also produces considerable volumes of power station coal, carries out Major coal, ore and nickel mining activities in Russia being able to supply its own steel production or to sell raw materials to third parties, depending on the difference between the prices of purchasing from local suppliers and those of distribution to Russian and foreign purchasers. Mechel was the third Russian carbonization coal producer in 2006 having 13.8% of the market, and was the second Russian exporter of carbonization coal concentrate and coal concentrate. Mechel also controls 20% of capacities for carbonization coal beneficiation in Russia.

Mechel's steel production activities include production and sale of steel billets and bar section from carbon and special steels, sheet products from carbon and stainless steels, and high process stage metal products, in particular, general metalware, pressed and forged products. Within the bounds of this line of activities, Mechel also produces considerable volumes of coke, both for internal use and for sale to third parties. Mechel is Russian largest and the most complex manufacturer of steel and alloys. We account for 39% of Russian total production of special steel in 2006. Mechel is Russian second producer of bar section.

The company maintained its fifth position with 8% of Russian steel produced in the reporting year.

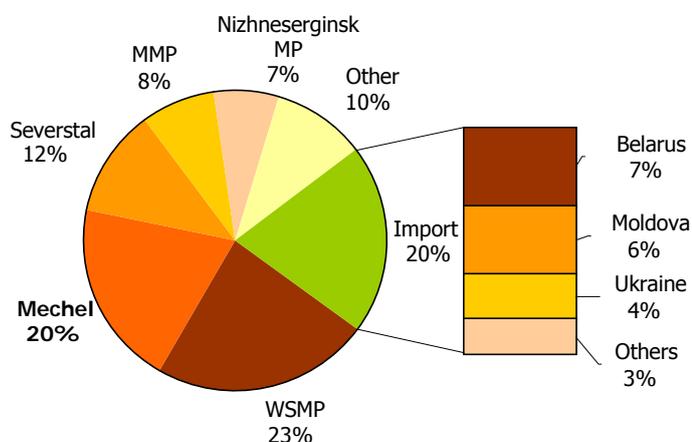
Russian Steel Production Structure by Producer, 2006



Sources: Russian Federal State Statistics Service; Chermet Corporation

In 2006, Mechel controlled 20%-share in the domestic market of reinforcement elements, second after West Siberian Iron and Steel Plant.

Russian Reinforcement elements Market Structure by Producers, 2006

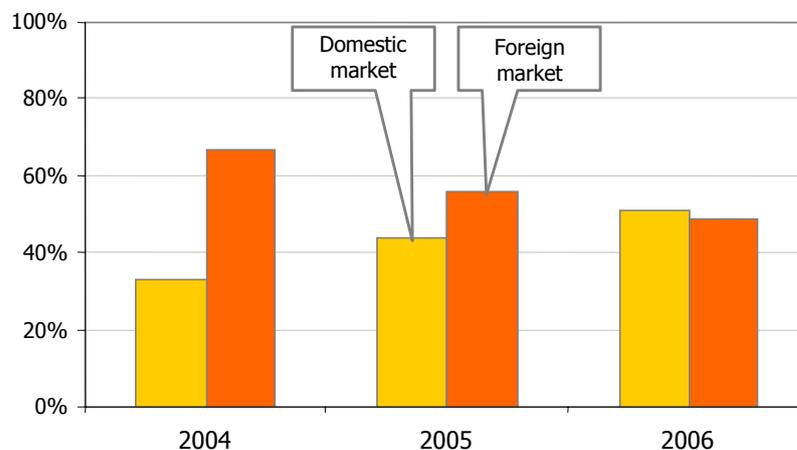


Sources: Metal-Expert; Company's data

Mechel doubled its supplies of power plant coal to Russian power companies in 2006. Such growth was connected with a high level of client service (stability and meeting of deadlines for

supplies) and high quality of products, which facts persuade consumers in prospectivity of collaboration with Mechel. Shipments of carbonization coal to the domestic market also increased. There were no actual export supplies of iron-ore concentrate in 2006, since the growth of demand in the domestic market allowed distributing all the products within Russia.

Raw Material Segment Supplies Structure by Markets, 2004-2006



Source: Company's data. Note: Figure shows the proceeds of the segment

2. POSITION OF THE COMPANY IN THE INDUSTRY

Mechel OAO is engaged in providing consulting services to entities that are parts of the same group of entities as the Company and comprise one business, investing in securities, and leasing trademarks under license contracts.

Services provided by the Company may be subdivided into two kinds of consulting, *i.e.* normative and developing. Normative consulting includes consulting on legal issues, accountancy, foreign economic activity, taxation, and audit. Developing consulting deals with transfer of a company from current status to desirable. This kind of consulting implies diagnostics of a company, development of programs to eliminate deadlock situations, reorganization of management system, elaboration of marketing policy, *etc.*

The Company use foreign experience while providing management consulting services, specifically:

- Transition from 'consultation' to 'consulting', from position of 'adviser' to position of 'participant in the process of mastering innovations', *i.e.* the focus shifts from simple transferring experience of leading companies to focusing efforts of consulting specialists on the process of practical mastering of innovations;
- All-round transition to teamwork method, which improved quality of the services. Transition to teamwork method in connection with complication of the business activities is quite natural. This ensures both improvements of services quality and wide coverage of problems that are solved with reduction of consulting time. Development of this process will be undoubtedly continued further in accordance with complication of forms of business, thus determining diversity of consulting activities;

- Orientation to mastering, which implies revision of strategy of organizational design works. If at an early phase of consulting services development a consulting circle is clearly indicated in the form of the following stages: examination and data collection, organizational project development, organizational project approval with customer, training and making necessary changes; then, in a new situation, different approach has to be taken, *i.e.* brief organizational examination and development of an outline of a new scheme for managing a company with concurrent implementation of proposed changes along indicated specified directions.

The results of the Company's consulting activities in the reporting year have been deemed satisfactory, on the whole. Among the main advantages of carrying out independent services to manage companies consolidated in one business that may be pointed out are the following:

- accumulation of experience by the Company's personnel will undoubtedly be more valuable as compared to such accumulation of experience by any external consulting company;
- utilizing the Company's own resources for providing services in management of the businesses is undoubtedly more efficient;
- the Company's personnel have a higher level of responsibility and focusing on results as compared to personnel of any consulting company.

The Company made capital investment in securities in the reporting period. As of December 31, 2006, the total of the issuer's financial investments was *RUR 62,041,067,093.83 (Russian Rubles Sixty-two billion forty-one million sixty-seven thousand ninety-three and 83 kopecks).*

Financial investments of the Company accounting for more than 10% of total financial investments as of December 31, 2006, are shown in the following table.:

Name of the Entity	Amount of Financial Investments, RUR	Share in Total Financial Investments, %
Securities		
Southern Kuzbass OAO	31,989,857,495.70	51.56
Chelyabinsk Metallurgical Plant OAO	17,145,828,735.23	27.64
Other	12,905,380,862.90	20.80
TOTAL	62,041,067,093.83	100.00

The Company leases trade marks based on the state registration certificate of the following trade marks used to mark the products manufactured by its subsidiaries:

- Trade mark, Certificate No. 100070, the trade mark's priority is from January 22, 1991, and extended till January 22, 2011, for the goods related to 1, 4, 8, 19, 20, 21, 29, 31, and 32 classes.
- Trade mark, Certificate No. 100071, the trade mark's priority is from January 22, 1991 and extended till January 22, 2011, for the goods related to 1, 4, 8, 19, 20, 21, 29, 31, and 32 classes.
- Trade mark, Certificate No. 124790, the trade mark's priority is from April 28, 1993, and extended till April 28, 2013, for the goods related to 6 class.
- Trade mark, Certificate No. 285609, the trade mark's priority is from October 14, 2004, till October 14, 2014, for the goods related to 1, 2, 4, 6, 7, 8, 9, 11, 13, 14, 19, 20, 21, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, and 45 classes.

- Trade mark, Certificate No. 285610, the trade mark's priority is from October 14, 2004, till October 14, 2014, for the goods related to 1, 2, 4, 6, 7, 8, 9, 11, 13, 14, 19, 20, 21, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, and 45 classes.
- Trade mark, Certificate No. 285611, the trade mark's priority is from October 14, 2004, till October 14, 2014, for the goods related to 1, 2, 4, 6, 7, 8, 9, 11, 13, 14, 19, 20, 21, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, and 45 classes.
- Trade mark, Certificate No. 285626, the trade mark's priority is from October 25, 2004, till October 25, 2014, for the goods related to 1, 2, 4, 6, 7, 8, 9, 11, 13, 14, 19, 20, 21, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, and 45 classes.
- Trade mark, Certificate No. 285627, the trade mark's priority is from October 25, 2004, till 25, 2014, for the goods related to 1, 2, 4, 6, 7, 8, 9, 11, 13, 14, 19, 20, 21, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, and 45 classes.
- Trade mark, Certificate No. 88202, the trade mark's priority is from July 28, 1989, and extended till July 28, 2009, for the goods related to 6 class.
- Trade mark, Certificate No. 88203, the trade mark's priority is from July 28, 1989, and extended till July 28, 2009, for the goods related to 6 class.
- Trade mark, Certificate No. 88705, the trade mark's priority is from June 01, 1989, and extended till June 01, 2009, for the goods related to 6 class.
- Trade mark, Certificate No. 88706, the trade mark's priority is from June 01, 1989, and extended till June 01, 2009, for the goods related to 6 class.
- Trade mark, Certificate No. 88876, the trade mark's priority is from July 28, 1989, and extended till July 28, 2009, for the goods related to 6 class.
- Trade mark, Certificate No. 94623, the trade mark's priority is from May 23, 1990, and extended till May 23, 2010, for the goods related to 1, 4, 8, and 19 classes.
- Trade mark, Certificate No. 99372, the trade mark's priority is from January 22, 1991, and extended till January 22, 2011, for the goods related to 1, 4, 8, 19, and 20 classes.

On the whole, position of the Company in the industry is characterized as firm.

3. PRIORITY LINES IN THE COMPANY'S ACTIVITIES

The priority lines in the Company's Activities are as follows:

Informational and consulting services;
 Capital investments in securities;
 Supply and sales;
 Organization of manufacturing and sales of products, wholesale and retail trade;
 Logistical and sales management;
 Market research, consulting in the sphere of marketing management;
 Consulting in the sphere of financial management of companies, design of accounting Systems, production cost accounting, control procedures over budget and management;
 Consulting in the sphere of human resource management;
 Consulting in the sphere of planning, organization, efficiency and control;
 Consulting in the sphere of accounting and taxation, commercial operations and company Management;
 Forwarding services;
 Foreign economic activities; and
 Lease of trademarks under license contracts.

4. REPORT OF THE BOARD OF DIRECTORS ON RESULTS OF THE COMPANY'S DEVELOPMENT ALONG THE PRIORITY LINES IN THE COMPANY'S ACTIVITIES

The Board of Directors of Mechel OAO, which carries out general management of the Company's activities, conducted 11 meeting on the matters related to its competence. The main decisions made at the meetings were as follows:

- Determining the priority lines in Mechel OAO's activities;
- Approving the following Company's internal documents: Code of Business Conduct and Ethics of Mechel OAO, amended Bylaw on the Audit Committee of the Board of Directors of Mechel OAO; and amended Bylaw on the Internal Audit Function of Mechel OAO;
- Appointing the sole executive body of the Company – General Director;
- Electing the Chairman of the Company's Board of Directors;
- Determining the procedure of Mechel OAO's participation in non-profit organization, the All-Russian Association of Employees "Russian Union of Industrialists and Entrepreneurs", and in the non-profit organization, "Fund for Promoting Development of Civil Society Institutes in the Privolzhsky Federal District";
- Electing Members of the Board of Directors of Mechel OAO;
- Adopting resolution on placing the bonds of the Company;
- Approving five transactions of interest and two major transactions;
- Adopting resolution on convening the annual general shareholders' meeting and extraordinary general shareholders' meeting of the Company.

To adopt resolutions of the Board of Directors, the issues were reviewed by the Committees of the Board of Directors operating on a permanent basis, as follows:

Strategy, Planning, and Coordination Committee;
Audit Committee;
Mining Development Strategy Committee; and
Steel Development Strategy Committee.

The objective of the Committees is to preliminary examine the issues of technical, production, and economic development of the Company and prepare them for further consideration by the Company's Board of Directors.

The Company founded a subsidiary in 2006, *Mechel Hardware OOO*, with the stake in the subsidiary's charter capital equal to **100%**. **The core business of Mechel Hardware OOO is whole sale and retail in products for production and technical purposes and consumer goods.**

In 2006, Mechel OAO increased its interest in the charter capitals of the following entities:

- **Trade Port Posiet OAO** - by **16.9 %**, though purchase of 2,398,428 ordinary shares, of which 1,893,000 shares comprising 13.3% of the charter capital, the Company acquired

at the auction held by the Specialized State Agency under the Russian Federation Government, Russian Federal Property Fund;

- **Korshunov Mining Plant** - by **0.1007 %**, though purchase of 252 ordinary shares; and
- **Izhstal OAO** - by **0.480%**, though purchase of 2,477 shares, including 384 ordinary shares and 2,093 privileged shares.

Main business indicators of the Company:

Indicator	Reporting period	
	2005	2006
Type of business operations: <i>capital investments in securities</i>		
Revenues (income) from this type of business operations, RUR	284,209,341	52,124,696
Share of the revenues (income) from this type of business operations in the total revenues (income) of the issuer, %	27.99	13.67
Type of business operations: <i>consultations on the matters of commercial operations, finance, and management</i>		
Revenues (income) from this type of business operations, RUR	542,465,630	93,798,062
Share of the revenues (income) from this type of business operations in the total revenues (income) of the issuer, %	53.42	24.60
Type of business operations: <i>lease of trademarks under license contracts.</i>		
Revenues (income) from this type of business operations, RUR	188,777,120	213,828,683
Share of the revenues (income) from this type of business operations in the total revenues (income) of the issuer, %	18.59	56.09
Type of business operations: <i>sublease of non-residential premises for temporary use and ownership временное</i>		
Revenues (income) from this type of business operations, RUR	-	21,504,817
Share of the revenues (income) from this type of business operations in the total revenues (income) of the issuer, %	-	5.64
TOTAL		
Revenues (income) from this type of business operations, RUR	1,015,452,091	381,256,258
Share of the revenues (income) from this type of business operations in the total revenues (income) of the issuer, %	100	100

5. PROSPECTS FOR THE COMPANY'S DEVELOPMENT

The Company will continue improving quality of providing services by strengthening its professional team, implementing new information and analytical resources, and optimizing business process of interaction and monitoring project implementation.

Factors capable to significantly influence obtaining positive results in the Company's activities are as follows:

- Optimization of business processes; and
- Monitoring of quality of consultation and management services through regular feedback between the Issuer and its subsidiaries.

6. REPORT ON PAY-OUT OF DECLARED (ACCRUED) DIVIDENDS ON THE COMPANY SHARES

The Resolution was made at the Annual General Shareholders' Meeting on June 30, 2006, to pay out dividends for 2005, as follows:

- To pay out dividends on ordinary registered non-documentary shares based on the Company's operational results for 2005 in the amount of RUR **12.73** per share.
- To effect payment in cash by electronic fund transfer no later than December 31, 2006.

The total of net profit allocated in 2006 to pay out dividends for 2005 amounted to RUR **5,299,126,583.85**.

As of December 31, 2006, the Company paid out the dividends in full the dividends paid for 2005 totalling RUR **5,299,126,583.85**.

7. DESCRIPTION OF THE MAIN RISK FACTORS RELATED TO THE COMPANY'S ACTIVITIES

Country and Regional Risks

The Company conducts its operations both in the Russian Federation and in a number of foreign countries and is exposed to all risks related to political and economic environment in such countries.

Probability of military conflicts, in the regions of the Company's activities is extremely low.

Financial Risks

Considering types of the core activities of the Company, it is possible to state that the Company is exposed to risks related to alteration of refinance rate and exchange rate established by the Russian Federation Central Bank.

Potential increase of general level of interest rates on the Russian market, with other conditions being equal, may adversely affect the financial state of the Company. Specifically, in case of borrowing monetary resources in the form of bank loans with 'floating' interest rate, it would result in increase of the funds to be paid as interest repayment. In case of debt instruments with a fixed income, revenues of the Company from disposal of such instruments in the market may relatively decrease.

A decrease of the interest rates level, with other conditions being equal, might decrease efficiency of the Company's current borrowings based on a fixed interest rate.

The Company makes settlements in currency in the course of its activities and also has investments denominated in foreign currency. It may consequently be concluded that the

Company is exposed to exchange rate fluctuations (currency risk). Specifically, a decline in ruble to foreign currency exchange rate might result in relative devaluation of the Company's assets denominated in rubles while its strengthening might result in relative increase of the Company's costs and obligations.

Inflation may adversely affect payments on the Company's securities (*e.g.* cause devaluation of amounts of such payments from the moment of declaring a payment till actual effecting it).

In the Company's opinion, critically significance would have aggregate inflation rate during three consecutive years, provided they come to 100% and higher (hyperinflation).

The Company intends to minimize inflation risk for the holders of its securities by means of bringing dates of declaring payments on the Company's securities and dates of actual payments on its securities as close as possible.

Legal Risks

Legal risks related to change in the legislation affecting the issuer's activities on the domestic markets, include risks related to the following:

- *Change in currency regulation* did not affect significantly the Company's activities due to lack of changes during the reporting period. *In the opinion of the Company, Change in currency regulation will not significantly affect the issuer's activities;*
- *Change in tax legislation.* The issuer's activities are also affected by risks related to change in the tax legislation. However, no changes were adopted during the reporting period that would affect the issuer's activities;
- *Changes in customs control rules and duties:* legal risks related to changes in customs control rules and duties do not affect the Issuer's activities significantly;
- *Licensing of the issuer's core activities or licensing of right for use of the assets which circulation is restricted:* there are no such legal risks as management and consultation activities are not subject to licensing in the Russian Federation, and the Issuer do not use I its activities any assets which circulation is restricted;
- *Changes in court practice on issues related to the Issuer's activities* (including issues of licensing) that may adversely affect results of its activities and results of the current litigations, in which the Issuer is engaged, do not affect significantly.

Risks related to the Company's activities

Risks related to potential liability of the Company for third parties' debts, including debts of its subsidiaries, affect the Company insignificantly. The Company has sureties extended in security for third parties' obligations, fulfillment of such obligations is under the Company's control, and risk of any failure to fulfill them is minimum.

Pursuant to the Russian Federation Civil Code, Article 105, and the Federal Law *On Joint Stock Companies*, Articles 3 and 6, the Company may be responsible jointly with its subsidiary for transactions made by the latter in fulfillment of the Company's instructions. In case of insolvency (bankruptcy) of a subsidiary due to the Company's fault, the Company shall be jointly responsible for such subsidiary's debts.

Risk related to potential loss of consumers, the turnover with which consumers yields not less than 10 percent of the Company's total revenues from providing services, affects the Company insignificantly.

No risks related to the current litigations arise with the Company.

8. LIST OF TRANSACTIONS MADE IN THE REPORTING PERIOD THAT ARE RECOGNIZED AS MAJOR TRANSACTIONS IN COMPLIANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES AND OTHER TRANSACTIONS FOR CONCLUSION OF WHICH THE PROCEDURE FOR APPROVING MAJOR TRANSACTIONS IS APPLIED PURSUANT TO THE COMPANY'S CHARTER, WITH INDICATION OF SIGNIFICANT CONDITIONS FOR EACH TRANSACTION AND THE MANAGEMENT BODY OF THE COMPANY THAT MADE RESOLUTION TO APPROVE IT; AND LIST OF TRANSACTIONS MADE IN THE REPORTING PERIOD THAT ARE RECOGNIZED AS TRANSACTIONS OF INTEREST IN COMPLIANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES, WITH INDICATION OF THE INTERESTED PARTY (PARTIES) FOR EACH TRANSACTION, SIGNIFICANT CONDITIONS OF SUCH TRANSACTION, AND THE MANAGEMENT BODY OF THE COMPANY THAT MADE RESOLUTION TO APPROVE IT

The Board of Directors approved conclusion of the following transactions of interest in the reporting period:

1. Conclusion of the guarantee agreement between Mechel OAO (hereinafter, the "Company") and Bayerische Hypo- und Vereinsbank Aktiengesellschaft (hereinafter, the "Bank") was approved as a transaction of interest, under which agreement the Company undertakes to bear joint responsibility for fulfilling the obligations of Urals Stampings Plant OAO under the loan agreement within export finance concluded between the Bank and Urals Stampings Plant OAO on the terms as follows:

- The loan amount is EUR 5,000,000.00 including the insurance premium to the Export Credit Agency of EUR 500,000.00 maximum;
- Credit tenor is six (6) years;
- Grace period is one (1) year;
- Repayment to be effected by 10 (ten) equal installments during five (5) years;
- The interest rate is 6m EURIBOR + 0.45% to be repaid semiannually;
- Agency fee is EUR 2,000.00 per annum;
- Arrangement fee is 0.35% of the loan amount.

The objective of this loan agreement is to finance the supply of the ring rolling mill from the supplier, SMS Eumuco GmbH Wagner Banning Ring Rolling division, Germany, for Urals Stampings Plant OAO.

2. Conclusion of the loan agreement was approved as a transaction of interest, as follows:

Parties (beneficiaries) of the transaction:

- Mechel OAO; and
- Mechel Trading House OOO.

Subject of the transaction:

In accordance with the Loan Agreement, Mechel Trading House OOO (the Lender) undertakes to grant monetary resources to Mechel OAO (the Borrower), and the Borrower undertakes to repay the amount to be received under the Loan Agreement and to pay out the interest for utilization of the monetary resources.

Price of the transaction and its other essential conditions:

- a) total amount of the monetary resources granted under the Loan Agreement is RUR 25,000,000.00 (Russian Rubles Twenty five million);
- b) interest rate for utilization of the loan is 9% (ten percent) per annum;
- c) tenor of the loan is three (3) years from the date of disbursement the loan agreement;

- d) purpose of the loan is: replenishment of circulating assets;
- e) the Borrower is entitled to earlier repayment of the loan amount and a respective interest, in part or in full, with a preliminary written consent from the Lender.

3. Conclusion of the loan agreement was approved as a transaction of interest, as follows:

Parties (beneficiaries) of the transaction:

- Southern Urals Nickel Plant OAO; and
- Mechel OAO.

Subject of the transaction:

In accordance with the Loan Agreement, Southern Urals Nickel Plant OAO (the Lender) undertakes transferring monetary resources to the ownership of Mechel OAO (the Borrower), and the Borrower undertakes to repay the amount to be received under the Loan Agreement and to pay out the interest for utilization of the monetary resources.

Price of the transaction and its other essential conditions:

- a) total amount of the monetary resources granted under the Loan Agreement is RUR 20,000,000.00 (Russian Rubles Twenty million);
- b) interest rate for utilization of the loan is 9% (ten percent) per annum;
- c) tenor of the loan is three (3) years from the date of disbursement the loan agreement;
- d) purpose of the loan is: replenishment of circulating assets;
- e) the Borrower is entitled to earlier repayment of the loan amount and a respective interest, in part or in full, with a preliminary written consent from the Lender.

4. Conclusion of the loan agreement was approved as a transaction of interest, as follows:

Parties (beneficiaries) of the transaction:

- Mechel OAO; and
- Mechel Trading House OOO.

Subject of the transaction:

In accordance with the Loan Agreement, Mechel Trading House OOO (the Lender) undertakes transferring monetary resources to the ownership of Mechel OAO (the Borrower), and the Borrower undertakes to repay the amount to be received under the Loan Agreement and to pay out the interest for utilization of the monetary resources.

Price of the transaction and its other essential conditions:

- a) total amount of the monetary resources granted under the Loan Agreement is RUR 107,000,000.00 (Russian Rubles One hundred seven million);
- b) interest rate for utilization of the loan is 10% (ten percent) per annum;
- c) tenor of the loan is three (3) years from the moment of signing the loan agreement;
- d) purpose of the loan is: replenishment of circulating assets;
- e) the Borrower is entitled to earlier repayment of the loan amount and a respective interest, in part or in full, without any additional consent from the Lender.

5. Conclusion of the sale and purchase contract was approved as a transaction of interest, which may be made in future between the Company and Mechel Energo OOO, under which the seller sells and the buyer accepts and pays for 175,157,594 (one hundred seventy-five million one hundred fifty-seven thousand five hundred ninety-four) ordinary book-entry shares of Chelyabenergosbyt OAO at the price of RUR 0.20 (Russian Rubles Zero and 20 kopecks) per one share for the total of RUR 35,031,518.80 (Russian Rubles Thirty-five million thirty-one thousand five hundred eighty-one and 80 kopecks).

The Board of Directors approved conclusion of the following major transactions in the reporting period:

1. The transaction was approved related to documentary interest-bearing inconvertible Series 02 bearer bonds of Mechel OAO with mandatory centralized custody, the number of the Bonds being 5,000,000 (five million), with par value of 1,000 (one thousand) rubles each for the total nominal value of RUR 5,000,000,000.00 (Russian Rubles Five billion) secured by guarantee from Mechel Trading House OOO, maturing on the 2,548th (two thousand five hundred and forty-eighth) day following the date of commencement of the issuance of the Bonds being issued by open subscription, the bonds providing for payment of the coupon income in the amount as determined in the resolution on the securities issue and prospectus of the securities issue.

The price of the bonds placement is RUR 1,000.00 per one Bond. Starting from the second day of the placement, the buyers shall also pay for the accumulated coupon income when buying the Bonds, such accumulated coupon income being calculated from the date of commencement of their placement.

2. The transaction was approved related to documentary interest-bearing inconvertible Series 03 bearer bonds of Mechel OAO with mandatory centralized custody, the number of the Bonds being 5,000,000 (five million), with par value of 1,000 (one thousand) rubles each for the total nominal value of RUR 5,000,000,000.00 (Russian Rubles Five billion) secured by guarantee from Mechel Trading House OOO, maturing on the 1,820th (one thousand eight hundred and twentieth) day following the date of commencement of the issuance of the Bonds being issued by open subscription, the bonds providing for payment of the coupon income in the amount as determined in the resolution on the securities issue and prospectus of the securities issue.

The price of the bonds placement is RUR 1,000.00 per one Bond. Starting from the second day of the placement, the buyers shall also pay for the accumulated coupon income when buying the Bonds, such accumulated coupon income being calculated from the date of commencement of their placement.

9. COMPOSITION OF THE COMPANY'S BOARD OF DIRECTORS WITH INFORMATION ON CHANGES IN MEMBERSHIP OF THE COMPANY'S BOARD OF DIRECTORS OCCURRED IN THE REPORTING YEAR, AND INFORMATION ON MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS INCLUDING THEIR BIOGRAPHIES AND SHAREHOLDING DURING THE REPORTING YEAR

Composition of the Company's Board of Directors elected by the Annual general Shareholders' Meeting of the Company on June 28, 2005:

<u>First and Last Names</u>	<u>Year of Birth</u>	<u>Position Held</u>
Vladimir F. Iorich	1958	Chairman of the Board of Directors
Igor V. Zyuzin	1960	Member of the Board of Directors and Chief Executive Officer
Alexey G. Ivanushkin	1962	Member of the Board of Directors, Chief Operating Officer
Roger I. Gale	1952	Member of the Board of Directors
A. David Johnson	1937	Member of the Board of Directors
Serafim V. Kolpakov	1933	Member of the Board of Directors

Alexander E. Yevtushenko	1947	Member of the Board of Directors
Valentin V. Proskurnya	1945	Member of the Board of Directors
Andrew M. Wood		Member of the Board of Directors

Composition of the Company's Board of Directors elected by the Annual general Shareholders' Meeting of the Company on June 30, 2006:

<u>First and Last Names</u>	<u>Year of Birth</u>	<u>Position Held</u>
Vladimir F. Iorich	1958	Chairman of the Board of Directors
Igor V. Zyuzin	1960	Member of the Board of Directors and Chief Executive Officer
Alexey G. Ivanushkin	1962	Member of the Board of Directors, Chief Operating Officer
Roger I. Gale	1952	Member of the Board of Directors
A. David Johnson	1937	Member of the Board of Directors
Serafim V. Kolpakov	1933	Member of the Board of Directors
Alexander E. Yevtushenko	1947	Member of the Board of Directors
Valentin V. Proskurnya	1945	Member of the Board of Directors
Alex Polevoy	1970	Member of the Board of Directors

Vladimir F. Iorich has been the Chairman of the Board of Directors from December 2006. He was our Chief Executive Officer from January 2004 to December 2006, and is a member of the Board of Directors since March 2003. During the period from 1995 to 2004 Mr. Iorich was the President of Mechel International Holdings where he was engaged in export and funding matters. From 2001 to 2004. Mr. Iorich was a member of the Board of Directors of MMP, Russian major steel company. Mr. Iorich has a more than 23-year experience of work in engineering, marketing and management sectors of coal industry, and holds a degree in engineering and economics from Kuzbass State Polytechnic University. From 1995 to 2004 Mr. Iorich was Director of Conares Holding AG. Mr. Iorich sold 42.2% of ordinary shares of our company in 2006.

Igor V. Zyuzin has been our Chief Executive Officer from December 2006. He occupied a position of the Chairman of the Board of Directors from March 2003, from the establishment of Mechel. From May 1999 Mr. Zyuzin is also the Chairman of the Board of Directors of Southern Kuzbass Coal Company owned by us, and from 2001 - a member of the Board of Directors of Chelyabinsk Metallurgical Plant OAO. From 1997 to 1999 Mr. Zyuzin occupied a position of the Chairman of the Board of Directors of Mezhdurechenskugol Coal Company which was absorbed by Southern Kuzbass Coal Company, and is a member of the Board of Directors of Kuzbass Central Processing Plant OAO. Mr. Zyuzin has a more than 16-year experience of work in coal industry and holds a degree in coal mining from Tula Polytechnic University. Mr. Zyuzin also holds a degree in coal mining engineering economics and doctorate in coal mining. Mr. Zyuzin is the beneficiary owner of 68,3% of the Company shares. His stake in the Company's charter capital is 0.0000077%. His share of the Company ordinary shares is 0.0000077 %.

Alexey G. Ivanushkin has been the Executive Director since January 2004, and a member of the Board of Directors since March 2003. From March 2003 to January 2004 Mr. Ivanushkin occupied a position of our Chief Executive Officer. From December 1999 to April 2002 Mr. Ivanushkin was Chief Executive Officer of Chelyabinsk Metallurgical Plant OAO. From 1993 to November 1999 he occupied a position of Head of Ferrous Metals and Alloys Department at the Moscow Office of Glencore International AG, international diversified group for mining operations, from which we purchased Chelyabinsk Metallurgical Plant. Mr. Ivanushkin holds a degree in economics and international affairs from the Moscow State University of Foreign Relations (MGIMO). Mr. Ivanushkin is the beneficiary owner of 0.03% of the Company ordinary shares. His stake in the Issuer's charter capital is 0.0343%. His share of the Company ordinary shares is 0.0343%.

Roger I. Gale is a member of the Board of Directors since October 2004. Currently Mr Gale is Chairman of the Board of Directors and Chief Executive Officer of Calypte Biomedical Corporation, a US publicly listed company headquartered near Portland, Oregon. From 2002 to mid 2006 Mr Gale was Chairman of the Board of Directors and Chief Executive Officer of Wavecrest Group Enterprises Limited, a communications services provider. From 1999 to 2001 he was Chairman of the Board of Directors and Co-Founder of End2End Wireless Limited, a wireless communications services provider. From 1996 to 1998 Mr Gale was Chief Executive Officer of AIG-Brunswick Capital Management, a US\$300 million, and OPIC- sponsored, Russia investment fund. From 1988 to 1995 worked at the International Finance Corporation (IFC), including as Chief of the IFC's Resident Mission in Russia from 1991 to 1995. Mr Gale was 9 years with the Asian Development Bank (ADB) and taught economics at the University of New England (Australia) and Lincoln College (New Zealand). Mr Gale holds a Diploma from The Royal Agricultural College and a Master of Economics degree from the University of New England.

A. David Johnson has been a member of the Board of Directors since October 2004. Currently Mr. Johnson is the Chairman of the Board of Directors of Joy Mining Machinery UK Ltd, a world leading provider of systems and services for subsoil mining, and he has been occupying this position since 2002. From 1990 to 2002 Mr. Johnson was Managing Director of Joy Mining Machinery UK Ltd. From 1986 to 1990 Mr. Johnson occupied a position of Managing Director of Dosco Overseas Engineering, British mining equipment supplier, where he started his career as a mining engineer in 1960. He also worked at the British National Coal Board from 1953 to 1960. Mr. Johnson is a representative of Joy Mining Machinery UK Ltd. both in the Consulting Board of Coal-Mining Industry and at the World Coal Institute. From 1990 to 1992 he occupied a position of the President of Association of British Mining Equipment Producers. In 1998 Russian Government awarded him with the Order of Friendship for his merits in the Russian coal industry. Mr. Johnson is a certified mining engineer, holds a Certificate of qualified mining engineer from the UK Mining Qualifications Board, obtained in 1958.

Serafim V. Kolpakov has been a member of our Board of Directors since June 2004. From 1992 to 2004 Dr. Kolpakov was working as the President of the International Metallurgist Union, research organization in the field of steel industry. From 1991 to 1992 he was Vice-President of the Advanced Materials Association in Moscow, a public consulting and research organization. From 1985 to 1991 Dr. Kolpakov was the Minister of Metallurgical Industry of the USSR; and from 1978 to 1985 he was the First Deputy Minister and Deputy Minister of Metallurgical Industry of the USSR. From 1970 to 1978 he was Chief Executive Officer of Novolipetsk Metallurgical Plant, Russian integrated steel producer, where he started his career as a foreman in 1963. Dr. Kolpakov holds Engineering degree from the Moscow Institute of Steel and Alloys, and holds Doctor's degree in Engineering. He is also a member of the International Engineering Academy, Russian Engineering Academy (where he occupies a position of Vice-

President), and Presidium of the Academy of Information Technologies and Processes. Dr. Kolpakov is the author of more than 400 inventions in the field of steel production technology, and of more than 500 scientific publications. He has a number of awards from the Government, including the State Prize of the USSR in 1981 and 1985, the Prize of the Council of Ministers of the USSR (twice) and the rank of Honored Metallurgist of the Russian Federation and Czechoslovakia.

Alexander E. Yevtushenko has been a member of the Board of Directors since June 2004. Dr. Yevtushenko was the First Vice-President of Sokolovskaya OAO, a holding company of the group of Russian coal producing and design enterprises. From 1999 to 2000 he was the President of the General Committee of the Interstate Eurasia Association of Coal and Metals. From 1992 to 1999 Dr. Yevtushenko was the First Deputy Minister of fuel and power industry of the Russian Federation. From 1973 to 1991 he was working at various positions including Chief Executive Officer of Raspadskaya mine in Kuzbass, one of the largest mines in the USSR. Dr. Yevtushenko holds a degree in mining engineering from the Siberian Metallurgical Institute. He holds doctor's degree in engineering and is a member of the Russian Academy of Mining Sciences. Dr. Yevtushenko is the author of more than 50 scientific publications including "Mineral Resources of Russian Coal Industry", a research for which he got the Prize from the Russian Government in the field of science and technology in 2002. He has a number of government decorations including the title of Honorable Miner of the Russian Federation which was awarded in 1997.

Valentin V. Proskurnya has been a member of the Board of Directors of our Company since March 2003. Prior to April 2005 Mr. Proskurnya was a member of the Board of Directors of MMP, the Russian major steel producer. From March 2002 to March 2003 Mr. Proskurnya was the Deputy Chief Executive Officer of Mechel Trading House OOO; and from January 2001 to March 2002 he was Chief Executive Officer of that company. From 1998 to 2001, Mr. Proskurnya occupied a position of the First Deputy Chief Executive Officer of Southern Kuzbass Coal Company owned by us, and was engaged in economic and financial analysis. Mr. Proskurnya has a more than 37-year experience of work in engineering, financial and managerial sectors of the coal industry and holds a degree in labor economics from the Higher School of Trade Unions. Mr. Proskurnya was awarded by the Russian Government with the plaque "Miner's Honor" of all three grades. Moreover, in 1996 the Russian Government gave him a title of the Honored Economist of the Russian Federation.

Alex Polevoy has been a member of the Board of Directors since June 2006. He was Financial Director of our company from October 2005 to June 2006. From 2004 to August 2005 Mr. Polevoy occupied a position of the Head of the Corporate Audit Department of TNK-BP Management, a holding company for oil companies. From 2001 to 2004 he was occupied a position of the Head of the Supervision and Control Group of TNK-BP Management. Mr. Polevoy holds a degree in management and accounting from the Institute of Northern Alberta, Canada.

10. INFORMATION ON THE PERSON HOLDING THE POSITION OF THE SOLE EXECUTIVE BODY

Functions of the sole executive body of the Company – Chief Executive Officer of the Company – from the beginning of the accounting period up to December 18, 2006, were performed by Vladimir F. Iorich. On December 18, 2006, the Board of Directors of the Company elected Igor V. Zyuzin new Chief Executive Officer (information on the person holding the position of the Company's sole executive body is provided in Section 9 of this Report).

11. CRITERIA FOR DETERMINATION AND AMOUNT OF COMPENSATION FOR THE PERSON HOLDING POSITION OF THE SOLE EXECUTIVE BODY OF THE COMPANY AND FOR EACH OF THE MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS TO BE PAID OR PAYABLE BASED ON THE REPORTING PERIOD RESULTS

Compensation to the Chief Executive Officer is payable in the amount and on the conditions stipulated in the labor contract concluded between the Chief Executive Officer and the Company.

Compensation to the Members of the Board of Directors is payable based on the resolution of the General Shareholders' Meeting in accordance with the Bylaw on Remuneration to Members of the Board of Directors of Mechel OAO and Compensation of Their Expenses Connected with Their Execution of Functions of Members of the Board of Directors.

Total amount of remunerations including salaries, bonuses, commissions, benefits and/or reimbursements of expenses paid to the members of the Board of Directors by the Company amounted to RUR 86,976,285.89 for 2006.

12. INFORMATION ON THE COMPANY'S COMPLIANCE WITH ITS CODE OF BUSINESS CONDUCT

No.	List of norms of Code of Business Conduct	Compliance (complete, partial, noncompliance)	Note*
General requirements to issuers			
1.	Issuer must form a Board of Directors.	Complete compliance	<p>Document (with necessary details) fixating this provision and No. of clause/article:</p> <p>Clauses 16.1, 18.2, 18.4 of the Mechel OAO Charter (new version) approved by the Annual General Shareholders' Meeting of Mechel OAO dated June 28, 2005, registered on July 19, 2005 (hereinafter referred to as "the Mechel OAO Charter").</p> <p>Extract from the minutes No.1 of the Annual General Shareholders' Meeting of Mechel OAO dated June 30, 2006, confirming the establishment of the Board of Directors of Mechel OAO.</p>
2.	Board of Directors of an issuer must include at least one (1) director, who meets the following requirements:	Complete compliance	<p>Document (with necessary details) fixating this provision and No. of clause/article:</p> <p>Clause 18.2. of the Mechel OAO Charter</p> <p>Pursuant to Clause 18.2 of the Mechel OAO Charter, the Board of Directors of the Company shall consist of 9 persons, of whom most of the elected persons shall be independent (independent directors).</p> <p>Five members of the Board of Directors, existing from June 30, 2006, are recognized pursuant to the Mechel OAO Charter as independent directors.</p> <p><u>Names of independent directors:</u></p> <ol style="list-style-type: none"> 1. Alexander E. Yevtushenko 2. Serafim V. Kolpakov 3. A. David Johnson 4. Roger I. Gale 5. Valentin V. Proskurnya

	<ul style="list-style-type: none"> • who have not been in the last 1 year and are not currently officers or employees of an issuer (manager); • who are not officers of another entity in which any officer of the issuer is a member of the personnel and compensation committee of the Board of Directors; • who are not a spouse, parent, child, sibling of any officer (manager) of the issuer (officer of the issuer's managing organization); • who is not an affiliate of the issuer, excluding directors of the issuer; • is not a party to obligations of the issuer pursuant to which they could acquire property (or receive money) in an amount equal to or greater than 10 percent of his or her total annual income, other than compensation for participation in the Board of Directors of the issuer; • who are not representatives of the State, <i>i.e.</i> persons who are representatives of the Russian Federation or subjects of the Russian Federation or constituent entities of the Russian Federation in boards of directors of joint stock companies, with respect to whom a decision is made regarding the use of a special right ("golden share"), and persons elected to the Board of Directors from candidates nominated by the Russian Federation, or by a constituent entity of the Russian Federation or a municipal formation, if such members of the Board of Directors shall vote based on written directives (instructions, etc.) of, respectively, such constituent entity of the 	<p>Complete compliance</p> <p>Complete compliance</p> <p>Complete compliance</p> <p>Complete compliance</p> <p>Complete compliance</p>	
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	Russian Federation or such municipal formation.	Complete compliance	
3.	<p>1) A committee must be formed in an issuer's Board of Directors, which exclusive functions shall be evaluation of candidates for auditors of a joint stock company, consideration of an auditor's opinion, evaluation of efficiency of the issuer's internal control procedures, and preparation of proposals for improving them (audit committee,) such committee to be headed by a director who shall meet the requirements provided for by Clause 2 of this Report.</p> <p>2) An audit committee must include only directors who are not a sole executive body and/or members of collective executive body of the issuer).</p>	<p>Complete compliance</p> <p>Complete compliance</p>	<p>1) Documents (with necessary details) fixating these functions of the Committee and No. of clause/article: - Clause 18.12. of Mechel OAO Charter, and Articles 33 and 37 of the Bylaw on the Board of Directors of Mechel Steel Group Open Joint Stock Company approved by the Extraordinary General Shareholders' Meeting of Mechel OAO, Minutes No. 4 dated October 27, 2004, with addenda and amendments approved by the Extraordinary General Shareholders' Meeting of Mechel OAO dated December 23, 2004 (hereinafter, "Bylaw on the Board of Directors of Mechel"). - Bylaw on the Audit Committee of the Board of Directors of Mechel OAO approved by the Board of Directors of Mechel OAO on December 18, 2006 (attached). - Minutes of the Board of Directors of Mechel OAO dated June 30, 2006 confirming the establishment of the committee and election of the Chairman thereof.</p> <p><u>2) Name of the Committee Head and members of the Committee (specifying independent and/or non-executive directors):</u></p> <ol style="list-style-type: none"> 1. Roger I. Gale – Chairman of the Committee 2. Valentin V. Proskurnya 3. A. David Johnson <p>All of the above persons are independent directors, do not carry out functions of the sole executive body, and are not members of the issuer's collective executive body, since establishment of the collective executive body is not provided for by the Mechel OAO Charter.</p> <p>3) Document affirming this provision or information on presenting such materials to the annual meeting:</p> <p>Article 35 of the Bylaw on the Board of Directors of Mechel OAO.</p>

	3) Results of consideration of opinion of an issuers' auditor prepared by an audit committee must be presented as materials for an annual general meeting of the issuer's shareholders.	Complete compliance	
4.	Internal documents of an issuer must provide for obligations of members of the Board of Directors, members of collective executive bodies, and a person fulfilling functions of a sole executive body, including managing organization and its officers, to disclose information on holding of the issuer's securities and on sale and/or purchase of the issuer's securities.	Complete compliance	Documents (with necessary details) fixing such obligations for each of the management body and No. of the clause/article: Obligation of the Board of Directors is provided for by Clause 18.23. of the Charter and Article 7 of the Bylaw on the Board of Directors of Mechel OAO»; Obligation of the sole executive body is provided for by Clause 19.12. of the Mechel OAO Charter. Establishment of the collective executive body is not provided for by the Mechel OAO Charter.
5.	An issuer's Board of Directors must approve a document on use of information on the issuer's activities, on securities of the company and transactions therewith, which is not public, and which disclosure may significantly affect market value of the issuer's securities.	Complete compliance	<u>Document (with necessary details) or Bylaws fixing this norm in other document and No. of the clause/article:</u> Bylaw On Use of Information of Mechel Steel Group OAO (hereinafter, "Company"), Which Disclosure May Have Significant Influence on Market Value of the Company's Securities, approved by the Board of Directors of OAO Mechel, Minutes unnumbered dated December 10, 2004.
6.	An issuer's Board of Directors must approve a document determining procedures of internal control over financial and economic activities of the issuer, control over compliance with which is to be performed by a separate organizational unit of the issuer reporting on any breaches revealed to the audit committee.	Complete compliance	<u>1) Document confirming the establishment of such unit:</u> Order by the Chief Executive Officer of Mechel OAO No. 109 dated December 10, 2004. <u>2) Documents (with necessary details) determining such procedures and No. of the clause/article. and the body approved the required document:</u> Bylaw on the Internal Audit of Mechel OAO approved by the Board of Directors of Mechel OAO, Minutes w/o No. dated December 18, 2006 (attached).
7.	The issuer's charter shall provide for that the notice of the general meeting of shareholders shall be given not later than 30 days prior to the meeting, unless the law provides for a longer period.	Complete compliance	Document (with necessary details) affirming this provision and No. of clause/article: Clause 17.10. of the Mechel OAO Charter»