**MECHEL REPORTS 2007 FIRST QUARTER FINANCIAL AND PRODUCTION RESULTS**
**— Revenues of $1.4 billion —**
**— Operating income of $327.7 million —**
**— Net income of $205 million, $1.47 per ADR or $0.49 per diluted share —**

**Moscow, Russia – July 11, 2007 – Mechel OAO (NYSE: MTL), a leading Russian integrated mining and steel group, today announced financial and production results for the first quarter ended March 31, 2007.**

| US$ thousand | 1Q 2007 | 1Q 2006 | Change Y-on-Y |
|---|---|---|---|
| Revenues | 1,416,166 | 853,518 | 65.9% |
| Net operating income | 327,655 | 58,996 | 455.4% |
| *Net operating margin* | *23.1%* | *6.9%* | - |
| Net income | 205,014 | 62,881 | 226.0% |
| EBITDA (1) | 355,450 | 134,411 | 164.5% |
| *EBITDA margin* | *25.1%* | *15.7%* | - |

(1) See Attachment A.

Igor Zyuzin, Mechel's Chief Executive Officer, commented: "The first quarter of 2007 was a successful one for Mechel that continued the strong performance we have seen recently. Coupled with a market environment that continues to be favorable, we increased our production volumes and improved operational performance, which drove significant growth in all aspects of our business when compared to a year ago."

## Consolidated Results

Net revenue in the first quarter of 2007 increased 65.9% to $1.4 billion from $853.5 million in the first quarter of 2006, reflecting strong selling prices across the Company's main product categories. Operating income was $327.7 million, or 23.1% of net revenue, an increase of 455.4% over operating income of $59.0 million, or 6.9% of net revenue, in the first quarter of 2006.

For the first quarter of 2007, Mechel reported consolidated net income of $205.0 million, or $1.47 per ADR ($0.49 per diluted share), compared to consolidated net income of $62.9 million, or $0.48 per ADR ($0.16 per diluted share) in the first quarter of 2006.

Consolidated EBITDA was $355.5 million in the first quarter of 2007, compared to $134.4 million a year ago, an increase of 164.5%. The increase in EBITDA was primarily the result of the higher sales volumes in the Company's main product categories, as well as positive pricing dynamics and the impact of steps the Company has taken to improve production efficiency and lower operating costs. Selling expenses decreased to 8.4% of sales for the first quarter or 2007 compared with 12.0% for the same quarter in the prior year as a result of positive changes to the sales structure. General and administrative expense were reduced to 5.4% of sales for the quarter, compared with 7.2% in the first quarter of 2006, due to tighter cost controls.

Please see the attached tables for a reconciliation of consolidated EBITDA to net income.

**Mining Segment Results**

| US$ thousand | 1Q 2007 | 1Q 2006 | Change Y-on-Y |
|---|---|---|---|
| Revenues from external customers | 421,420 | 289,459 | 45.6% |
| Intersegment sales | 168,354 | 75,871 | 121.9% |
| Operating income | 181,700 | 29,289 | 520.4% |
| Net income | 103,810 | 27,467 | 277.9% |
| EBITDA | 196,229 | 58,000 | 238.3% |
| *EBITDA margin (1)* | 33.3% | 15.9% | - |

(1) EBITDA margin calculation is based on the total revenues of the segment including intersegment sales.

**Mining Segment Output**

| Product | 1Q 2007, thousand tonnes | 1Q 2007 vs. 1Q 2006 |
|---|---|---|
| Coal | 4,543 | 13% |
| Coking coal | 2,223 | 0% |
| Steam coal | 2,320 | 30% |
| Iron ore concentrate | 1,095 | (3)% |
| Nickel | 4.1 | 22% |

Mining segment revenue from external customers for the first quarter of 2007 totaled $421.4 million, or 29.8% of consolidated net revenue, an increase of 45.6% over segment revenue from external customers of $289.5 million, or 33.9% of consolidated net revenue, in the first quarter of 2006.

Operating income in the first quarter of 2007 in the mining segment was $181.7 million, or 30.8% of total segment revenues, an increase of 520.4% compared to operating income of $29.3 million, or 8.0% of total segment revenues, a year ago. EBITDA in the mining segment for the 2007 first quarter was $196.2 million, an increase of 238.3% compared to EBITDA of $58.0 million a year ago, with an EBITDA margin increase to 33.3% from 15.9% in the 2006 first quarter. Results in the Company's mining segment for the first quarter of 2006 include a one-time extraction tax accrual of $20 million, as previously announced.

Igor Zyuzin commented on the results of the mining segment, "Market conditions remained strong in the mining segment, and Mechel continued to implement its strategy aimed at further growing its mining operations. Investments in construction of new mining facilities and modernization of mining equipment allowed us to achieve significant increase in coal output in the first quarter of 2007 as compared to the same period a year ago. We leveraged the strong market conditions and doubled EBITDA margin for the segment to 33.3%. We also increased our nickel output by 22% due to the further optimization of our production processes. Taking into consideration current favorable market conditions, we remain optimistic with regard to the overall outlook for the segment for the remainder of this year."

**Steel Segment Results**

| US$ thousand | 1Q 2007 | 1Q 2006 | Change Y-on-Y |
|---|---|---|---|
| Revenues from external customers | 994,746 | 564,059 | 76.4% |
| Intersegment sales | 14,636 | 5,173 | 182.9% |
| Operating income | 145,955 | 29,707 | 391.3% |

| | | | |
|---|---|---|---|
| Net income | 101,204 | 35,414 | 185.8% |
| EBITDA | 159,222 | 76,411 | 108.4% |
| *EBITDA margin (1)* | 15.8% | 13.4% | - |

(1) EBITDA margin calculation is based on the total revenues of the segment including intersegment sales.

**Steel Segment Output**

| Product | 1Q 2007, thousand tonnes | 1Q 2007 vs. 1Q 2006 |
|---|---|---|
| Coke | 930 | 82% |
| Pig iron | 930 | 13% |
| Steel | 1,488 | 9% |
| Rolled products | 1,274 | 19% |
| Hardware | 158 | 18% |

Revenues from external customers in Mechel's steel segment increased 76.4% to $994.7 million, or 70.2% of consolidated net revenue, in the first quarter of 2007 as compared to $564.1 million, or 66.1%, in the first quarter of 2006.

For the first quarter of 2007, the steel segment generated operating income of $146.0 million, or 14,5% of total segment revenues, an increase of 391.3% compared to operating income of $29.7 million, or 5.2% of total segment revenues, during the first quarter of 2006. EBITDA in the steel segment for the 2007 first quarter was $159.2 million, an increase of 108.4% when compared to EBITDA of $76.4 million in the 2006 first quarter. The EBITDA margin in the first quarter of 2007 was 15.8%, compared to 13.4% a year ago.

Igor Zyuzin commented, "In the steel segment, we continue to focus our efforts on enhancing profitability through modernization of production and control over costs as well as further shifting our sales mix to an increased proportion of value-added, higher margin products. The capital expenditure program which we continue to implement in the steel segment has enabled us to decrease raw material consumption ratios, resulting in reduced production costs and increased production output. We also continued to steadily increase the share of continuously cast steel. At the end of last year we commissioned a new continuous casting machine at Chelyabinsk Metallurgical Plant, and another one was commissioned at our Romanian subsidiary, Mechel Targoviste, in the first quarter of this year."

**Recent developments**

- In July, Mechel OAO announced the appointment of Stanislav Ploschenko as its Acting Chief Financial Officer. In this position Stanislav Ploschenko replaced Anton Vishanenko.

- In July, Mechel OAO provided additional information regarding its capital expenditure program for 2007-2011. Mechel plans to invest about $1.5 billion in its steel segment and about $1.2 billion in its coal segment during five years.

Igor Zyuzin concluded, "Overall, we achieved significant progress in the first quarter of 2007, compared to the first quarter of 2006. We continue to steadily implement our strategy, focusing on modernizing production, increasing output and controlling costs while also capitalizing on the favorable conditions currently seen in our markets. As we carry out our recently announced capital expenditure program, we intend to further focus on increasing operational performance in both segments. Our position as an integrated producer with a diversified product portfolio and broad market base will allow us to flexibly react to the changing market environment, positioning us well for the future."

## Financial Position

Capital expenditure in the first quarter of 2007 amounted to $81.8 million, of which $29.4 million was invested in the mining segment and $52.3 million in the steel segment.

In the first quarter of 2007, Mechel spent $4.2 million on acquisitions, and another $6.1 million was spent on acquisition of minority interest in other subsidiaries.

As of March 31, 2007, total debt[1] was at $408.8 million. Cash and cash equivalents amounted to $209.1 million at the end of the period and net debt amounted to $199.7 million (net debt is defined as total debt outstanding less cash and cash equivalents).

* One American Depositary Share is equivalent to three diluted shares.

The management of Mechel will host a conference call today at 6 p.m. Moscow time (10 a.m. New York time, 3 p.m. London time) to review Mechel's financial results and comment on current operations. The call may be accessed via the Internet at http://www.mechel.com, under the Investor Relations section.

***

Mechel OAO
Alexander Tolkach
Head of International Relations & Investor Relations
Mechel OAO

Phone: 7-495-221-88-88
Fax: 7-495-221-88-00
alexander.tolkach@mechel.com

***

Mechel is one of the leading Russian mining and metals companies. Mechel unites producers of coal, iron ore, nickel, steel, rolled products, and hardware. Mechel products are marketed domestically and internationally.

***

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Mechel, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements. We refer you to the documents Mechel files from time to time with the U.S. Securities and Exchange Commission, including our Form 20-F. These documents contain and identify important factors, including those contained in the section captioned "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" in our Form 20-F, that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the achievement of anticipated levels of profitability, growth, cost and synergy of our recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licenses, the impact of developments in the Russian economic, political and legal environment, volatility in stock markets or in the price of our shares or ADRs, financial risk management and the impact of general business and global economic conditions.*

[1]Total debt is comprised of short-term borrowings and long-term debt

## Attachments to the 2007 First Quarter Earnings Press Release

### Attachment A

*Non-GAAP financial measures.* This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.

*Earnings Before Interest, Depreciation and Amortization (EBITDA) and EBITDA margin*. EBITDA represents earnings before interest, depreciation and amortization. EBITDA margin is defined as EBITDA as a percentage of our net revenues. Our EBITDA may not be similar to EBITDA measures of other companies; is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While interest, depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the metals and mining industry. EBITDA can be reconciled to our consolidated statements of operations as follows:

| **US$ thousands** | **1Q 2007** | **1Q 2006** |
|---|---|---|
| Net income | 205,014 | 62,881 |
| Add: | | |
| Depreciation, depletion and amortization | 52,856 | 41,515 |
| Interest expense | 7,945 | 11,349 |
| Income taxes | 89,635 | 18,666 |
| Consolidated EBITDA | 355,450 | 134,411 |

EBITDA margin can be reconciled as a percentage to our Revenues as follows:

| **US$ thousands** | **1Q 2007** | **1Q 2006** |
|---|---|---|
| Revenue, net | 1,416,166 | 853,518 |
| EBITDA | 355,450 | 134,411 |
| EBITDA margin | 25.1% | 15.7% |

**Consolidated Balance Sheets**
*(in thousands of U.S. dollars, except share amounts)*

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 209,050 | $ 172,614 |
| Trading securities | 258,453 | 270,964 |
| Accounts receivable, net of allowance for doubtful accounts of $21,844 as of 31/03/2007 and $19,592 as of 31/12/2006 | 274,162 | 191,172 |
| Due from related parties | 743 | 545 |
| Inventories | 659,576 | 653,079 |
| Deferred cost of inventory in transit | 12,391 | 14,125 |
| Current assets of discontinued operations | 9 | 9 |
| Deferred income taxes | 4,436 | 7,922 |
| Prepayments and other current assets | 417,679 | 324,600 |
| Total current assets | 1,836,499 | 1,635,030 |
| Long-term investments in related parties | 436,283 | 429,206 |
| Other long-term investments | 56,466 | 44,392 |
| Non-current assets of discontinued operations | 109 | 108 |
| Intangible assets, net | 5,418 | 4,746 |
| Property, plant and equipment, net | 2,082,613 | 2,012,828 |
| Mineral licenses, net | 258,750 | 269,851 |
| Deferred income taxes | 14,675 | 6,983 |
| Goodwill | 48,133 | 45,914 |
| **Total assets** | $ 4,738,946 | $ 4,449,058 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Short-term borrowings and current portion of long-term debt | $ 80,393 | $ 166,517 |
| Accounts payable and accrued expenses: | | |
| Advances received | 150,109 | 88,278 |
| Accrued expenses and other current liabilities | 100,692 | 84,632 |
| Taxes and social charges payable | 253,852 | 143,037 |
| Trade payable to vendors of goods and services | 168,909 | 183,485 |
| Due to related parties | 3,603 | 2,353 |
| Current liabilities of discontinued operations | 511 | 508 |
| Asset retirement obligation, current portion | 3,616 | 3,444 |
| Deferred income taxes | 34,959 | 58,820 |
| Deferred revenue | 21,945 | 7,183 |
| Pension obligations, current portion | 13,803 | 11,044 |
| Finance lease liabilities, current portion | 6,234 | 6,066 |
| Total current liabilities | 838,626 | 755,367 |
| Long-term debt, net of current portion | 328,454 | 322,604 |
| Restructured taxes and social charges payable, net of current portion | 1,654 | 7,782 |
| Asset retirement obligations, net of current portion | 90,081 | 88,914 |
| Pension obligations, net of current portion | 58,504 | 59,170 |
| Deferred income taxes | 162,845 | 136,154 |
| Finance lease liabilities, net of current portion | 62,436 | 51,068 |
| Minority interests | 185,152 | 163,036 |
| **SHAREHOLDERS' EQUITY** | | |
| Common shares (10 Russian rubles par value; 497,969,086 shares authorized, 416,270,745 shares issued and 416,270,745 and 416,270,745 shares outstanding as of March 31, 2007 and December 31, 2006) | 133,507 | 133,507 |
| Treasury shares, at cost | – | – |
| Additional paid-in capital | 426,767 | 412,327 |
| Accumulated other comprehensive income | 213,650 | 188,218 |
| Retained earnings | 2,237,270 | 2,130,911 |
| Total shareholders' equity | 3,011,194 | 2,864,963 |
| **Total liabilities and shareholders' equity** | $ 4,738,946 | $ 4,449,058 |

**Consolidated Income Statements**
*(in thousands of U.S. dollars, except share and per share amounts)*

| | 3 months ended March 31, | | | | |
|---|---|---|---|---|---|
| | **2007** | | **2006** | | **2005** |
| Revenue, net | **1,416,166** | $ | 853,518 | $ | 1,039,456 |
| Cost of goods sold | **(875,724)** | | (591,729) | | (589,497) |
| Gross profit | **540,442** | | 261,789 | | 449,959 |
| Selling, distribution and operating expenses: | | | | | |
| Selling and distribution expenses | **(119,288)** | | (102,693) | | (115,250) |
| Taxes other than income tax | **(13,614)** | | (35,623) | | (33,335) |
| Accretion expense | **(1,039)** | | (834) | | (496) |
| Loss on write-off of property, plant and equipment | – | | – | | – |
| (Provision for) recovery of doubtful accounts | **(2,043)** | | (1,899) | | (11,175) |
| General, administrative and other operating expenses | **(76,803)** | | (61,744) | | (62,930) |
| Total selling, distribution and operating expenses | **(212,787)** | | (202,793) | | (223,186) |
| Operating income | **327,655** | | 58,996 | | 226,773 |
| Other income and (expense): | | | | | |
| Income from equity investments | **3,417** | | 2,596 | | 498 |
| Interest income | **1,076** | | 1,555 | | 4,817 |
| Interest expense | **(7,945)** | | (11,349) | | (16,433) |
| Loss on revaluation of trading securities | **(15,667)** | | – | | – |
| Other income, net | **4,448** | | 7,374 | | 15,237 |
| Foreign exchange gain (loss) | **9,278** | | 20,066 | | (5,985) |
| Total other income and (expense), net | **(5,393)** | | 20,242 | | (1,866) |
| Income before income tax, minority interest, discontinued operations and extraordinary gain | **322,262** | | 79,238 | | 224,907 |
| Income tax expense | **(89,635)** | | (18,666) | | (52,982) |
| Minority interest in (loss) income of subsidiaries | **(27,658)** | | 1,627 | | (2,226) |
| Income from continuing operations | **204,969** | | 62,199 | | 169,699 |
| Income (loss) from discontinued operations, net of tax | **45** | | 681 | | (186) |
| Extraordinary gain, net of tax | **–** | | – | | – |
| **Net income** | **205,014** | $ | 62,880 | $ | 169,513 |
| Currency translation adjustment | **20,259** | | 66,443 | | (6,058) |
| Adjustment of available-for-sale securities | **5,201** | | 30 | | 131 |
| Additional minimum pension liability | – | | – | | – |
| **Comprehensive income** | **230,474** | $ | 129,353 | $ | 163,586 |
| Basic and diluted earnings per share: | | | | | |
| Earnings per share from continuing operations | **0.49** | $ | 0.16 | $ | 0.42 |
| Loss per share effect of discontinued operations | **(0.00)** | | (0.00) | | (0.00) |
| Earnings per share effect of extraordinary gain | **0.00** | | 0.00 | | 0.00 |
| **Net income per share** | **0.49** | $ | 0.16 | $ | 0.42 |
| **Weighted average number of shares outstanding** | **416,270,745** | $ | 403,274,537 | $ | 403,118,680 |

**Consolidated Statements of Cash Flows**
*(in thousands of U.S. dollars)*

| | 3 months ended March 31, 2007 | 2006 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net income | **$ 205,014** | $ 62,880 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | **48,520** | 37,584 |
| Depletion and amortization | **4,336** | 3,931 |
| Foreign exchange (gain) loss | **(9,278)** | (20,066) |
| Deferred income taxes | **(6,672)** | (4,978) |
| Provision for (recovery of) doubtful accounts | **2,043** | 1,899 |
| Inventory write-down | **1,506** | (392) |
| Accretion expense | **1,039** | 834 |
| Loss on write-off of property, plant and equipment | – | – |
| Minority interest | **27,658** | (1,627) |
| Gain on revaluation of trading securities | **15,666** | – |
| Change in undistributed earnings of equity investments | **3,417** | (2,596) |
| Non-cash interest on long-term tax and pension liabilities | **1,245** | 1,376 |
| Loss on sale of property, plant and equipment | **26** | 984 |
| Loss (gain) on sale of long-term investments | – | (624) |
| Gain on discharged asset retirement obligations | – | – |
| (Income) loss from discontinued operations | **(45)** | (681) |
| Gain on accounts payable with expired legal term | **(4,773)** | (987) |
| Gain on forgiveness of fines and penalties | **(6,346)** | (5,038) |
| Amortization of capitalized costs on bonds issue | – | 390 |
| Pension service cost and amortization of prior year service cost | **1,027** | (665) |
| Effect of FIN No48 implementation on current income tax | **3,707** | – |
| Net change before changes in working capital | **288,090** | 72,224 |
| Changes in working capital items, net of effects from acquisition of new subsidiaries: | | |
| Accounts receivable | **(50,541)** | (2,100) |
| Inventories | **(45,486)** | (57,689) |
| Trade payable to vendors of goods and services | **(31,680)** | (43,763) |
| Advances received | **60,753** | 89,557 |
| Accrued taxes and other liabilities | **63,599** | 3,233 |
| Settlements with related parties | **1,036** | 5,844 |
| Current assets and liabilities of discontinued operations | **(24)** | 441 |
| Deferred revenue and cost of inventory in transit, net | **16,496** | (9,006) |
| Other current assets | **(104,871)** | 68,506 |
| Dividends received | – | 3,479 |
| Net cash provided by operating activities | **197,372** | 130,726 |
| **Cash Flows from Investing Activities** | | |
| Acquisition of subsidiaries, less cash acquired | – | (2,153) |
| Acquisition of minority interest in subsidiaries | **(6,074)** | (1,696) |
| Acquisition of Prommet | **(4,181)** | – |
| Investments in other non-marketable securities | – | – |
| Proceeds from disposal of non-marketable equity securities | – | 1,333 |

*continued on next page*

**Consolidated Statements of Cash Flows**

*(in thousands of U.S. dollars, except share amounts)*

*continued from previous page*

| | 3 months ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| Proceeds from disposals of property, plant and equipment | **1,100** | 620 |
| Purchases of mineral licenses | **(1,061)** | – |
| Purchases of property, plant and equipment | **(80,696)** | (118,658) |
| Net cash (used in) provided by investing activities | **(90,912)** | (120,554) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from short-term borrowings | **85,473** | 200,799 |
| Repayment of short-term borrowings | **(171,605)** | (193,802) |
| Dividends paid | **–** | – |
| Proceeds from issuance of common stock | **–** | – |
| Purchase of treasury stock | **–** | – |
| Proceeds from disposal of treasury stock | **–** | – |
| Proceeds from long-term debt | **18,474** | 5,566 |
| Repayment of long-term debt | **–** | (363) |
| Repayment of obligations under finance lease | **(2,416)** | (1,213) |
| Net cash (used in) provided by financing activities | **(70,074)** | 10,987 |
| Effect of exchange rate changes on cash and cash equivalents | **50** | (1,179) |
| Net (decrease) increase in cash and cash equivalents | **36,436** | 19,980 |
| Cash and cash equivalents at beginning of year | **172,614** | 311,775 |
| Cash and cash equivalents at end of year | **$ 209,050** | $ 331,755 |