

**PRELIMINARY APPROVED**

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

**APPROVED**

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

**ANNUAL REPORT  
MECHEL STEEL GROUP  
OPEN JOINT STOCK COMPANY**

General Director

V. F. Iorich

Chief Accountant

T. A. Kalyadina

**2005**

**TABLE OF CONTENTS:**

1	Information on the Company	3
2	Position of the Company in the Industry	4
3	Priority Lines in the Company's Activities	5
4	Report of the Board of Directors on Results of the Company's Development Along the Priority Lines in the Company's Activities	5
5	Prospects for the Company's Development	6
6	Report on Pay-Out of Declared (Accrued) Dividends on the Company Shares	7
7	Description of the Main Risk Factors Related to the Company's Activities	7
8	List of Transactions Made in the Reporting Period That Are Recognized As Large-Scale 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	9
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	11
10	Information On the Person Holding the Position of the Sole Executive Body	19
11	Criteria for Determination and Amount of Compensation for the Person Holding the Position of the Sole Executive Body and for Each of the Members of the Company's Board of Directors to be Paid or Payable Based on the Reporting Period Results	19
12	Information on the Company's Compliance with Its Code of Business Conduct and Ethics	20
13	Other Information	23

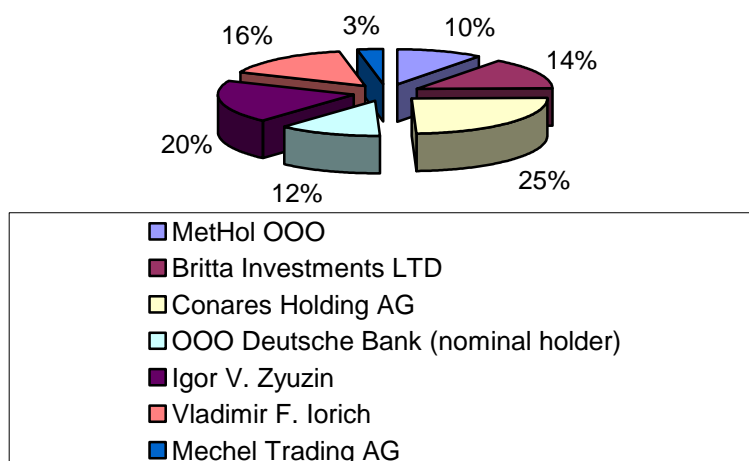
## 1. INFORMATION ON THE COMPANY

Mechel Steel Group Open Joint Stock Company has been founded on March 19, 2003, by contribution of shares in steel and mining companies to its charter capital.

The Register Holder of the Company is NIKoil Registrar Open Joint Stock Company located at the address: 28 Tretya Ulitsa Yamskogo Polya, Moscow, which acts on the grounds of the license

The charter capital of Mechel OAO, as of the moment of its foundation, amounted to 3,829,690,860.00 rubles and consisted of the nominal value of 382,969,086 common registered shares in the book-entry form with the nominal value of 10 (ten) rubles each. In October 2004, the Company has placed 33,301,659 common registered shares in the book-entry form with Deutsche Bank Trust Company Americas in private offering. The shares have been deposited to the account of the nominal holder, OOO Deutsche Bank, appointed by Deutsche Bank Trust Company Americas for the purposes of issuance of third level American depositary receipts (hereinafter, "ADRs") issued by Deutsche Bank Trust Company Americas outside the Russian Federation and evidencing the rights with respect to the Issuer's shares of this issue. The charter capital of Mechel OAO amounts to 4,162,707,450.00 rubles, as of December 31, 2004.

### Mechel OAO's Charter Capital Structure



Mechel OAO shares are listed on the RTS Stock Exchange from December 30, 2003; and Mechel OAO common registered shares with the nominal value of 10 (ten) rubles each are included in the B-Level Quotation List of the RTS Stock Exchange in compliance with the Listing Rules of the RTS Stock Exchange Nonprofit Partnership from June 29, 2004.

Capitalization value of Mechel OAO calculated based on the RTS data, as of December 31, 2004, amounts to US\$3,751,427,298.00

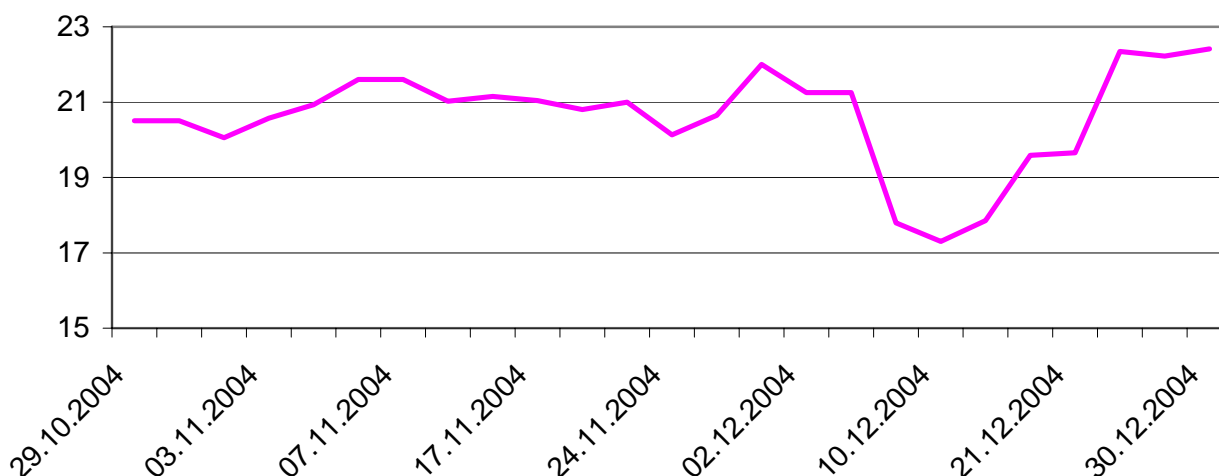
On the whole, 2004 is characterized by the Company's capitalization growth. According to the RTS Stock Exchange data, price of the Mechel OAO shares amounted to US\$0.33 per share as at the year beginning, and has increased more than 27 times during the year.

Below is shown the weighted average price of the shares for the year.

Code	Type	Lowest BID (\$)	Highest BID (\$)	Lowest ASK (\$)	Highest ASK (\$)	Annual volume (\$)	Annual volume (shares)	Trades
SGML	Common shares	0,2	100	2,6	45	627697	296900	48

*Note:* Data on volumes is based on all transactions made during a trading session.

**Quotations of ADRs\***



\* Each ADR represents three common shares of Mechel OAO. The graph is drawn based on the data of the New York Stock Exchange.

## **2. POSITION OF THE COMPANY IN THE INDUSTRY**

Mechel Steel Group Open Joint Stock Company is one of the Russia's leading companies in steel and mining industries providing also comprehensive management services. Position of the Company in the industry is characterized as firm.

Steel industry is the basic industry of the Russia's national economy that substantially determines viability of the Russia's economy on the whole. For efficient functioning of the economic mechanism in the market-based economy, reevaluation of many of practical aims of national management and reorganization of the existing management system take on important significance. Special attention in this process is paid to formation of infrastructure of companies engaged in business relationships. Management consulting holds central position in such infrastructure.

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 strives for independent, with no engagement of external consultants, utilization of the best theoretical knowledge and practical experience of its specialists in order to manage its consolidated business. 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 intends to carry out further actions aimed at improving quality of the management services and consulting provided to entities that are parts of the same group of entities as the Company and comprise one business.

### ***3. PRIORITY LINES IN THE COMPANY'S ACTIVITIES***

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

comprehensive services in the sphere of management;  
informational and consulting services;  
capital investments in securities;  
business management of coal mining and processing;  
business management of metallurgical production;  
business management of retail and wholesale trade in metallurgical, coal and other products;  
supply and sales;  
organization of product manufacturing and marketing, wholesale and retail;  
logistical and sales management;  
carrying out of marketing researches;  
consulting in the sphere of commercial activities, finance, and management;  
forwarding services;  
foreign economic activities;  
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 Company carries out the following types of financial and business operations related to common types of activities:

- providing comprehensive services in the sphere of management;
- providing informational and consulting services;
- lease of trademarks under license contracts.

As of December 31, 2004, the Company has concluded contracts with organizations for providing comprehensive services in the sphere of management and informational and consulting services.

The Company has concluded License Contract for Use of Trade Marks No. 1 dated June 17, 2004, with Chelyabinsk Metallurgical Plant OAO, under which Contract nonexclusive licenses for use of trademarks during the valid period of the trademarks' registration are granted for fee.

Structure of revenues from common types of activities, as of December 31, 2004, is shown in the Table below.

<b>N</b>	<b>Item</b>	<b>Amount, '000 rubles</b>
1	Revenues from providing comprehensive management services	438,441
2	Revenues from providing informational and consulting services	8,788
3	License Contract	68,499
	TOTAL	515,728

The Company's Board of Directors approved the following in 2004:

- Code of Business Conduct and Ethics containing general guidelines for conducting the business of Mechel Steel Group OAO, which are consistent with the highest standards of business ethics and considered to be a minimum standard designed to deter wrongdoing and promote honest and ethical conduct;
- Bylaw on Use of Information of Mechel Steel Group Open Joint Stock Company, Which Disclosure May Have Significant Influence on Market Value of the Company's Securities, which regulates the procedure for use of significant information on the Company's activities, the Company itself, and its affiliated persons, on shares and other securities of the Company and/or its affiliated persons and on transactions with them, which information is not known to any third parties, not in a public domain, and which disclosure may have significant influence on market value of the shares and other securities of the Company, which information also conforms to the other requirements stipulated in this Bylaw. The Bylaw stipulates also restrictions on making transactions using the foregoing information, determines a circle of people possessing such information, and stipulates responsibility for breaching requirements of this Bylaw;
- Bylaw on the Prohibition and Prevention of Insider Trading;
- Bylaws on the Committees of the Board of Directors of the Company, which determine purposes and objectives of the Committees' activities and their functions, powers and responsibilities of the Committee Members, procedure for formation of the Committees, requirements to decision making, and regulations for the Committee's accountability to the Board of Directors.

## ***5. PROSPECTS FOR THE COMPANY'S DEVELOPMENT***

**Expected results of the Company development along the priority lines in the Company's Activities are as follows:**

In perspective, the Company plans to expand its activities in the following directions:

- lease of trade marks under license contracts;
- search and selection of potential partners, review of their business reputation and financial status;
- provision of support to contracts and investment projects carried out by the Group's subsidiaries;
- provision of business plans and feasibility studies;
- analysis of financial status and financial and business operations results of the companies;
- determination of prospects for company development;
- work with guarantors;
- proposals for placement of orders with the Group's subsidiaries;
- arrangement of seminars and consultations in economics and management.

The Company intends to carry out further actions aimed at improving quality of the management services and consulting provided to entities that are parts of the same group of entities as the Company and

comprise one business. Doing it, the Company will also 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 is to be shifted 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 would improve 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 Company also plans to expand its activities in the following fields:

- ☐ registration and lease of trademarks under license contracts;
- ☐ production development and management;
- ☐ carrying out of marketing researches;
- ☐ search and selection of potential partners, review of their business reputation and financial status;
- ☐ provision of support to contracts and investment projects;
- ☐ provision of business plans and feasibility studies;
- ☐ analysis of financial status and financial and business operations results;
- ☐ determination of prospects for company development;
- ☐ search of potential strategic partners;
- ☐ work with guarantors;
- ☐ proposals for placement of orders with the Group's subsidiaries;
- ☐ arrangement of seminars and consultations in economics and management.

## ***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 24, 2004, to pay out dividends for 2003, as follows:

- To pay out dividends on ordinary registered non-documentary shares based on the Company's operational results for 2003 in the amount of RUR 0.39 per share.
- To effect payment with cash disbursement via non-cash transaction no later than December 31, 2004.

The total of net profit allocated in 2004 to pay out dividends for 2003 amounted to RUR 149,358K.

Actual pay out of dividends was effected on December 29, 2004.

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

### **Industry Risks**

The main type of the Company's activities is providing comprehensive services in the field of management and providing informational and consulting services.

The Company does not see at present any possible changes in legislation and market conditions in the field of providing consulting services that would significantly affect the Company's activities.

The main type of the Company's activities is not connected with production and purchase of raw materials. In this connection, any change in raw materials prices would not affect the activities the Company carries out. Change in raw materials prices may affect the subsidiaries of Mechel Steel Group OAO. In particular, decline in raw materials process might allow the Company to allot flows (of both cash and commodities) between the Group's subsidiaries more efficiently.

### **Country and Regional Risks**

The Company provides comprehensive services 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. In case of any impairment of the Company's main activities due to a change in a country environment, the Company contemplates correcting its plans to ensure financial discipline and maintain the price of its shares.

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

Geographic features of the regions where the Company operates do not influence significantly on its activities. Risks related to potential danger of natural calamities and possibility of discontinuance of traffic is insignificant.

### **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.

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.

Alteration of interest rates might affect the Company with regard to the Company's operations in borrowing monetary resources. Specifically, in case of borrowing monetary resources in the form of bank loans with 'floating' interest rate, potential increase of general level of interest rates on the Russian market would result in increase of the funds to be paid as interest repayment and that would adversely affect the financial state of the Company. 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.

In case of any unfavorable alterations of exchange rate, the Company contemplates increasing degree of accordance of assets and liabilities structure with revenues and costs with regard to currencies and dates of maturity. In case of unfavorable alteration of interest rates, the Company contemplates using opportunities for refinancing and earlier repayment of debts.

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.



The financial risks described above may mostly affect sales proceeds, costs, and financial (monetary) items in the balance sheet, bank and loan liabilities, and resources on the Company's accounts. Probability of aversive affect of the above risks on the Company's operational results is insignificant.

## Legal Risks

Legal risks related to the issuer's activities, including risks related to the following:

*Change in currency regulation:* **do not affect**

On the whole, it is necessary to note that, with the new version of the Federal Law on Currency Regulation and Currency Control (version of the Federal Law N 58-FZ as of June 29, 2004) coming into effect, quite important changes have occurred in the field of the Russian Federation currency regulation and currency control. It is enough to note that the above mentioned law does not provide at all for the necessity to obtain individual permits to carry out currency operations having excluded completely any responsibility for performing currency operations with no special permit (license) and/or with any breach of the requirements (conditions, restrictions) set forth in a special permit (license);

*Change in tax legislation:* The Company's activities are also affected by risks related to change in the Russian Federation tax legislation and practice of its application. The current tendency in the Russia's tax system changes is decrease of taxes affecting economic trade and production activities (income tax, VAT, and unified social tax). However, regardless of abrogation of a number of taxes, tax burden remains stiff. At that, the Russian federation tax legislation does not become clearer and easier to understand.

Serious problems also exist in the field of tax legislation stability, predictability of changes in taxation rules and law enforcement practice in the above field. At preset, judicial practice in the field of tax legislation application exerts significant influence. As a typical example, Ruling of the Russian Federation Constitutional Court No. 169-O dated April 8, 2004, may be adduced on introducing completely new rules in regarding possibilities to offset VAT. In 2004, the Russian Federation Constitutional Court significantly extended the right of courts to resolve tax disputes "proceeding from actual circumstances of a specific case", thus having unreasonably enhanced the role of the court discretion in making decisions. On the whole, it is possible to note that, as the results of the state tax policy change, questions of ensuring companies' tax safety rather than questions of taxation minimization are coming to the foreground.

In the Companies opinion, tax risks affect the company in the same way as they affect all other market players.

*Changes in customs control rules and duties:* legal risks related to changes in customs control rules and duties do not affect the Company's activities significantly.

## **8. LIST OF TRANSACTIONS MADE IN THE REPORTING PERIOD THAT ARE RECOGNIZED AS LARGE-SCALE 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**

1. The general shareholders' meeting approved transaction for acquisition by Mechel Steel Group Open Joint Stock Company of 100 % stake in the charter capital of Mechel-Invest Limited Liability Company, which is an interested party transaction. The parties of the transaction are: Mechel Steel Group Open Joint Stock Company and Chelyabinsk Metallurgical Plant Open Joint Stock

Company. The price of the transaction is RUR 22,650,000.00 (Russian Rubles Twenty two million six hundred fifty thousand). The subject matter of the transaction: 100 % in the charter capital of Mechel-Invest Limited Liability Company.

2. The general shareholders' meeting approved conclusion of the suretyship agreement as an interested party transaction between Mechel Steel Group Open Joint Stock Company (hereinafter the "Company") and Gazprombank Joint Stock Bank of Gas Industry (Closed Joint Stock Company) (hereinafter the "Bank"). In accordance with the above agreement, Mechel Steel Group Open Joint Stock Company undertakes to bear joint responsibility for fulfillment of the obligations of Chelyabinsk Metallurgical Plant Open Joint Stock Company under the credit facility agreement concluded between the Bank and CMP OAO on the following conditions:
  - credit line debt limit (credit line lump sum debt cap) amounts to US\$ 34,450,000.00 from the moment of concluding the credit facility agreement till May 31, 2005, inclusive, and US\$ 17,225,000.00 from June 1, 2005, till June 30, 2005, inclusive;
  - credit tenor is from the moment of concluding the credit facility agreement till June 30, 2005, inclusive;
  - interest rate for utilizing the credit is established in accordance with the conditions of the credit facility agreement. Maximum interest rate is stipulated at 8.9 (eight and ninety basic points) per cent annually with possibility of change in the cases provided for by the credit facility agreement;
  - commission fee for maintaining the loan account is 0.3 per cent of the loan debt annually;
  - forfeit for untimely discharge of the obligations to pay the interest is 0.04 per cent of an outstanding amount for each outstanding day.
3. The general shareholders' meeting approved conclusion of the Underwriting Agreement between the Company, the Company shareholders, Igor V. Zyuzin, Vladimir F. Iorich, MetHol OOO, Britta Investments limited (hereinafter, the "Selling Shareholders") and UBS Limited and other persons specified in Annex A to the Underwriting Agreement (hereinafter, UBS Limited and such other persons are referred to as the "Underwriters").

Pursuant to the Underwriting Agreement, the Underwriters are to acquire from Mechel Steel Group Open Joint Stock Company 33,301,659 common shares of Mechel Steel Group Open Joint Stock Company with the state registration number of the issue 1-01-55005-E-001D dated April 29, 2004. The Underwriters are also to acquire from the Selling Shareholders common shares of Mechel Steel Group Open Joint Stock Company owned by them with the state registration number of the issue 1-0155005-E April 29, 2003. At the same time, the Company and the Selling Shareholders are to transfer the shares to the ownership of Deutsche Bank Trust Company Americas for the purposes of issuing the American depositary receipts (ADRs), with the latter company is to transfer to the underwriters. The total amount of payment for the shares alienated by Mechel Steel Group Open Joint Stock Company is comprised of the price of placement of one common share of Mechel Steel Group Open Joint Stock Company with the state registration number of the issue 1-01-55005-E-001D dated April 29, 2004, approved by the Board of Directors of Mechel Steel Group Open Joint Stock Company on October 28, 2004, (US\$ 6.6325) multiplied by the number of the shares alienated by Mechel Steel Group Open Joint Stock Company, and amounts to US\$ 220,873, 253.3175. payment for the shares is to be effected in rubles.
4. The general shareholders' meeting approved conclusion of the trademarks assignment agreement as an interested party transaction between Chelyabinsk Metallurgical Plant Open Joint Stock Company (hereinafter, the "Rightholder") and the Company (hereinafter, the Assignee). In accordance with the above agreement, the Rightholder is to assign to the assignee the following trademarks: "MECHEL»" under Certificates NN 88202 and 100070; "MEЧEЛ" under Certificates NN 88203, 88705, 88706, 94623, 99372, 100071, and 124790; and "MECHEL MEЧEЛ" under Certificate N 88876, in relation to all goods included in the lists of the above certificates. The transaction price determined by the Board of Directors is RUR 80,495,000 net of VAT.
5. The Board of Directors approved conclusion of the transaction for acquisition by Mechel Steel Group Open Joint Stock Company of 1,392 (one thousand three hundred ninety two) common registered non-documentary shares of Chelyabinsk Metallurgical Plant Open Joint Stock Company from Mechel-Invest Limited Liability Company at the price of RUR 4,735.00 per share for the total of RUR 6,591,120.00.

6. The Board of Directors approved concluding the transaction for acquisition by Mechel Steel Group Open Joint Stock Company of 4,559 common registered non-documentary shares of Tomusinsk Group Processing Plant Open Joint Stock Company at the price of RUR 600.00 per one share for the total of RUR 2,735,400.00.
7. The Board of Directors approved concluding the suretyship agreement between Mechel Steel Group Open Joint Stock Company (hereinafter the “Guarantor”) and BNP Paribas (Suisse) S.A. In accordance with the above agreement, Mechel Steel Group Open Joint Stock Company guarantees to the Bank payment of all current and future debts and liabilities for the amount up to US\$ 195 million by Mechel Trading AG and Mechel Metal Supply Limited (hereinafter, the “Borrowers”). Credit tenor is from the moment of concluding the credit facility agreement till November 30, 2005, inclusive. Other essentials of the suretyship agreement are as follows:
  - any amount/amounts due under the suretyship agreement are to be paid out by the Guarantor immediately with no offsets, deductions, and/or counterclaims, regardless of any existing disputes and/or disagreements on any amount to be paid out under the credit facility agreement, regardless also of the fact that such disputes or disagreement may be referred to arbitration or to be subject of consideration at the court, and regardless of any instructions that may be given to the Guarantor by one or both of the Borrowers regarding nonpayment of entire amount of any part of it;
  - the Guarantor is not to be released from its obligations under the suretyship agreement, even when the Bank may grant any deferment of payment or concession to one or both of the Borrowers;
  - the Guarantor undertakes to pay out any amount due under the credit facility agreement or in connection with it to be payable in advance or becoming payable on earlier date of payment.

**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 during the period from January 1, 2004, to June 24, 2004:**

Igor V. Zyuzin – Chairman of the Board of Directors

Nikolay I. Vorobyev

Victor A. Bekker

Alexey G. Ivanushkin

Valentin V. Proskurnya

Vladimir I. Tytsky

Vladimir F. Iorich

No.	Full Name of Member of the Board of Directors	Brief Biographic Data of Member of the Board of Directors	Information on Ownership of the Company Shares During the Reporting Year
1.	<b>Igor V. Zyuzin</b>	Year of birth: 1960. Education: - Mining Engineer, doctorate in coal mining from Tula Polytechnic University; - Degree in coal mining engineering economics from Kuzbass Polytechnic Institute. Professional activities and positions held during the last five years: From October 1993 to December 2003:	As of December 31, 2004. Mr. Zyuzin owned the shares comprising 19.65% of the Company charter capital.

		<p>Deputy General Director of Kuzbass Central Processing Plant OAO.</p> <p>From 2003 and currently: <b>Chairman of the Board of Directors of Mechel Steel Group Open Joint Stock Company.</b></p> <p>From 1999 and currently: Chairman of the Board of Directors of Southern Kuzbass Coal Company OAO.</p> <p>From 2001 and currently: Member of the Board of Directors of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p>	
2.	<b>Nikolay I. Vorobyev</b>	<p>Year of birth: 1952.</p> <p>Education: Degree from Chelyabinsk polytechnic Institute.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1996 to 2002: First Deputy General Director, Director of Metallurgical Complex at Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p> <p>From 2002 and currently: General Director of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p>	Mr. Vorobyev owned no shares of the Company during the reporting year.
3.	<b>Victor A. Bekker</b>	<p>Year of birth: 1947.</p> <p>Education: Mining Engineer, degree in mineral reserves open cast method development from Sverdlovsk Mining Institute.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1998 to June 2004: General Director of Southern Kuzbass Coal Company OAO.</p>	Mr. Bekker owned no shares of the Company during the reporting year.
4.	<b>Alexey G. Ivanushkin</b>	<p>Year of birth: 1962.</p> <p>Education: Degree in economics and international affairs from the Moscow State University of Foreign Relations (MGIMO).</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1999 to 2002: General Director of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p> <p>From 2003 to January 15, 2004, General Director of Mechel Steel Group Open Joint Stock Company.</p> <p>From June 2004 to October 2004: General Director Southern Kuzbass Coal Company OAO.</p> <p>From January 16, 2004, and currently Chief Operating Officer of Mechel Steel Group Open Joint Stock Company.</p>	Mr. Ivanushkin owned no shares of the Company during the reporting year.
5.	<b>Valentin V. Proskurnya</b>	<p>Year of birth: 1945.</p> <p>Education: Degree in labor economics from</p>	Mr. Proskurnya owned no shares of

		<p>the Higher School of Trade Unions.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1998 to 2001: First Deputy General Director Southern Kuzbass Coal Company OAO.</p> <p>From 2001 to 2002: General Director of Uglemet-M Limited Liability Company.</p> <p>From 2002 to 2003: Deputy General Director of Mechel Trading House Limited liability Company (Uglemet Trading OOO until August 8, 2003).</p> <p>From 2001 and currently: Member of the Board of Directors of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p> <p>From 2001 and currently: Member of the Board of Directors of Southern Kuzbass Coal Company OAO.</p> <p>From October 2004 and currently: Chairman of the Strategy, Planning, and Coordination Committee of Mechel Steel Group Open Joint Stock Company.</p>	the Company during the reporting year.
6.	<b>Vladimir I. Tytsky</b>	<p>Year of birth: 1950.</p> <p>Education: Degree in chemistry and technology from Dnepropetrovsk Metallurgy Institute.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1998 to 2002: Deputy General Director for Marketing and Sale of Chelyabinsk Metallurgical Plant OAO.</p> <p>From 2002 to 2003: Deputy General Director of Uglemet Trading OOO.</p> <p>From 2003 to May 2003: Deputy General Director for Marketing and Sale of Uglemet Trading OOO.</p> <p>From June 2003: First Deputy General Director of Uglemet Trading OOO.</p> <p>From July 2003: Senior Vice President-Sales and Supplies of Mechel Steel Group Open Joint Stock Company.</p> <p>From February 2004: Senior Vice President-Strategy and Integration of Mechel Steel Group Open Joint Stock Company.</p>	Mr. Tytsky owned no shares of the Company during the reporting year.
7.	<b>Vladimir F. Iorich</b>	<p>Year of birth: 1958.</p> <p>Education: Degree in engineering and economics from Kemerovo State Polytechnic University.</p> <p>Professional activities and positions held during the last five years:</p> <p>From January 16, 2004, and currently: Chief Executive Officer of Mechel Steel Group Open Joint Stock Company.</p>	As of December 31, 2004, Mr. Iorich owned the shares comprising 15.5 % of the Company charter capital.



		<p>From 2001 to December 2004: President and Member of the Management Board of Mechel Trading AG.</p> <p>From 2000 to December 2004: General Director of Mechel Supply Limited.</p> <p>From 1995 and currently: Director of Conares Holding AG.</p>	
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**Composition of the Company's Board of Directors during the period from June 24, 2004, to October 14, 2004:**

Igor V. Zyuzin – Chairman of the Board of Directors  
 Alexander E. Yevtushenko  
 Alexey G. Ivanushkin  
 Vladimir F. Iorich  
 Serafim V. Kolpakov  
 Valentin V. Proskurnya

No.	Full Name of Member of the Board of Directors	Brief Biographic Data of Member of the Board of Directors	Information on Ownership of the Company Shares During the Reporting Year
1.	<b>Igor V. Zyuzin</b>	<p>Year of birth: 1960.</p> <p>Education:</p> <ul style="list-style-type: none"> <li>- Mining Engineer, doctorate in coal mining from Tula Polytechnic University;</li> <li>- Degree in coal mining engineering economics from Kuzbass Polytechnic Institute.</li> </ul> <p>Professional activities and positions held during the last five years:</p> <p>From October 1993 to December 2003: Deputy General Director of Kuzbass Central Processing Plant OAO.</p> <p>From 2003 and currently: <b>Chairman of the Board of Directors of Mechel Steel Group Open Joint Stock Company.</b></p> <p>From 1999 and currently: Chairman of the Board of Directors of Southern Kuzbass Coal Company OAO.</p> <p>From 2001 and currently: Member of the Board of Directors of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p>	<p>As of December 31, 2004. Mr. Zyuzin owned the shares comprising 19.65% of the Company charter capital.</p>
2.	<b>Alexander E. Yevtushenko</b>	<p>Year of birth: 1947.</p> <p>Education:</p> <p>Degree in mining engineering from the Siberian Metallurgical Institute.</p> <p>Master's degree from Moscow Mining Institute and Doctor's degree.</p> <p>Professorship with the Russian Federation Ministry of General and Professional Education.</p>	<p>Mr. Yevtushenko owned no shares of the Company during the reporting year.</p>

		<p>Professional activities and positions held during the last five years:</p> <p>From 1999 to 2000: President of the General Committee of Inter-State Eurasian Association of Coal and Metals.</p> <p>From 2001 to 2004: First Vice President of Sokolovskaya OAO holding company.</p> <p>From 2004 and currently: Chairman of the Mining Development Strategy Committee of the Board of Directors of Mechel Steel Group Open Joint Stock Company.</p>	
3.	<b>Alexey G. Ivanushkin</b>	<p>Year of birth: 1962.</p> <p>Education: Degree in economics and international affairs from the Moscow State University of Foreign Relations (MGIMO).</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1999 to 2002: General Director of r Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p> <p>From 2003 to January 15, 2004, General Director of Mechel Steel Group Open Joint Stock Company.</p> <p>From June 2004 to October 2004: General Director Southern Kuzbass Coal Company OAO.</p> <p>From January 16, 2004, and currently Chief Operating Officer of Mechel Steel Group Open Joint Stock Company.</p>	Mr. Ivanushkin owned no shares of the Company during the reporting year.
4.	<b>Vladimir F. Iorich</b>	<p>Year of birth: 1958.</p> <p>Education: Degree in engineering and economics from Kemerovo State Polytechnic University.</p> <p>Professional activities and positions held during the last five years:</p> <p>From January 16, 2004, and currently: Chief Executive Officer of Mechel Steel Group Open Joint Stock Company.</p> <p>From 2001 to December 2004: President and Member of the Management Board of Mechel Trading AG.</p> <p>From 2000 to December 2004: General Director of Mechel Supply Limited.</p> <p>From 1995 and currently: Director of Conares Holding AG.</p>	As of December 31, 2004, Mr. Iorich owned the shares comprising 15.5 % of the Company charter capital.
5.	<b>Serafim V. Kolpakov</b>	<p>Year of birth: 1933.</p> <p>Education: Engineering degree from the Moscow Institute of Steel and Alloys, Doctor's degree from the Central Scientific Research Institute of Ferrous Metals, Doctor of technical Sciences, Professor.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1992 and currently: President of the International Metallurgists Union.</p>	Mr. Kolpakov owned no shares of the Company during the reporting year.

		From October 2004 and currently: Chairman of the Steel Development Strategy Committee of the Board of Directors of Mechel Steel Group Open Joint Stock Company.	
6.	<b>Valentin V. Proskurnya</b>	<p>Year of birth: 1945.</p> <p>Education: Degree in labor economics from the Higher School of Trade Unions.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1998 to 2001: First Deputy General Director Southern Kuzbass Coal Company OAO.</p> <p>From 2001 to 2002: General Director of Uglemet-M Limited Liability Company.</p> <p>From 2002 to 2003: Deputy General Director of Mechel Trading House Limited liability Company (Uglemet Trading OOO until August 8, 2003).</p> <p>From 2001 and currently: Member of the Board of Directors of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p> <p>From 2001 and currently: Member of the Board of Directors of Southern Kuzbass Coal Company OAO.</p> <p>From October 2004 and currently: Chairman of the Strategy, Planning, and Coordination Committee of Mechel Steel Group Open Joint Stock Company.</p>	Mr. Proskurnya owned no shares of the Company during the reporting year.

**Composition of the Company's Board of Directors during the period from October 14, 2004 and currently:**

Igor V. Zyuzin – Chairman of the Board of Directors  
 Alexander E. Yevtushenko  
 Alexey G. Ivanushkin  
 Vladimir F. Iorich  
 Serafim V. Kolpakov  
 Valentin V. Proskurnya  
 A. David Johnson  
 Roger I. Gale  
 Sir Andrew M. Wood

No.	Full Name of Member of the Board of Directors	Brief Biographic Data of Member of the Board of Directors	Information on Ownership of the Company Shares During the Reporting Year
1.	<b>Igor V. Zyuzin</b>	<p>Year of birth: 1960.</p> <p>Education:</p> <ul style="list-style-type: none"> <li>- Mining Engineer, doctorate in coal mining from Tula Polytechnic University;</li> <li>- Degree in coal mining engineering economics from Kuzbass Polytechnic Institute.</li> </ul> <p>Professional activities and positions held during the last five years:</p> <p>From October 1993 to December 2003: Deputy</p>	As of December 31, 2004. Mr. Zyuzin owned the shares comprising 19.65% of the Company charter capital.



		<p>General Director of Kuzbass Central Processing Plant OAO.</p> <p>From 2003 and currently: <b>Chairman of the Board of Directors of Mechel Steel Group Open Joint Stock Company.</b></p> <p>From 1999 and currently: Chairman of the Board of Directors of Southern Kuzbass Coal Company OAO.</p> <p>From 2001 and currently: Member of the Board of Directors of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p>	
2.	<b>Alexander E. Yevtushenko</b>	<p>Year of birth: 1947.</p> <p>Education:</p> <p>Degree in mining engineering from the Siberian Metallurgical Institute.</p> <p>Master's degree from Moscow Mining Institute and Doctor's degree.</p> <p>Professorship with the Russian Federation Ministry of General and Professional Education.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1999 to 2000: President of the General Committee of Inter-State Eurasian Association of Coal and Metals.</p> <p>From 2001 to 2004: First Vice President of Sokolovskaya OAO holding company.</p> <p>From 2004 and currently: Chairman of the Mining Development Strategy Committee of the Board of Directors of Mechel Steel Group Open Joint Stock Company.</p>	Mr. Yevtushenko owned no shares of the Company during the reporting year.
3.	<b>Alexey G. Ivanushkin</b>	<p>Year of birth: 1962.</p> <p>Education: Degree in economics and international affairs from the Moscow State University of Foreign Relations (MGIMO).</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1999 to 2002: General Director of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p> <p>From 2003 to January 15, 2004, General Director of Mechel Steel Group Open Joint Stock Company.</p> <p>From June 2004 to October 2004: General Director Southern Kuzbass Coal Company OAO.</p> <p>From January 16, 2004, and currently Chief Operating Officer of Mechel Steel Group Open Joint Stock Company.</p>	Mr. Ivanushkin owned no shares of the Company during the reporting year.
4.	<b>Vladimir F. Iorich</b>	<p>Year of birth: 1958.</p> <p>Education: Degree in engineering and economics from Kemerovo State Polytechnic University.</p>	As of December 31, 2004, Mr. Iorich owned the

		<p>Professional activities and positions held during the last five years:</p> <p>From January 16, 2004, and currently: Chief Executive Officer of Mechel Steel Group Open Joint Stock Company.</p> <p>From 2001 to December 2004: President and Member of the Management Board of Mechel Trading AG.</p> <p>From 2000 to December 2004: General Director of Mechel Supply Limited.</p> <p>From 1995 and currently: Director of Conares Holding AG.</p>	<p>shares comprising 15.5 % of the Company charter capital.</p>
5.	<b>Serafim V. Kolpakov</b>	<p>Year of birth: 1933.</p> <p>Education: Engineering degree from the Moscow Institute of Steel and Alloys, Doctor's degree from the Central Scientific Research Institute of Ferrous Metals, Doctor of technical Sciences, Professor.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1992 and currently: President of the International Metallurgists Union.</p> <p>From October 2004 and currently: Chairman of the Steel Development Strategy Committee of the Board of Directors of Mechel Steel Group Open Joint Stock Company.</p>	<p>Mr. Kolpakov owned no shares of the Company during the reporting year.</p>
6.	<b>Valentin V. Proskurnya</b>	<p>Year of birth: 1945.</p> <p>Education: Degree in labor economics from the Higher School of Trade Unions.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1998 to 2001: First Deputy General Director Southern Kuzbass Coal Company OAO.</p> <p>From 2001 to 2002: General Director of Uglemet-M Limited Liability Company.</p> <p>From 2002 to 2003: Deputy General Director of Mechel Trading House Limited liability Company (Uglemet Trading OOO until August 8, 2003).</p> <p>From 2001 and currently: Member of the Board of Directors of Chelyabinsk Metallurgical Plant Open Joint Stock Company.</p> <p>From 2001 and currently: Member of the Board of Directors of Southern Kuzbass Coal Company OAO.</p> <p>From October 2004 and currently: Chairman of the Strategy, Planning, and Coordination Committee of Mechel Steel Group Open Joint Stock Company.</p>	<p>Mr. Proskurnya owned no shares of the Company during the reporting year.</p>
7.	<b>A. David Johnson</b>	<p>Year of birth: 1937.</p> <p>Education: Certificate of qualified mining engineer from the UK Mining Qualifications Board.</p> <p>Professional activities and positions held during the last five years:</p> <p>From 1990 to 2002: Managing Director of Joy</p>	<p>Mr. Johnson owned no shares of the Company during the reporting year.</p>

		Mining Machinery UK Ltd. From 2002 and currently: Chairman of the Board of Directors of Joy Mining Machinery UK Ltd.	
8.	<b>Roger I. Gale</b>	Year of birth: 1952. Education: Higher National Diploma from The Royal Agricultural College, degree of Master of Economics from the University of New England (Australia). Professional activities and positions held during the last five years: From 1999 to 2001: Chairman of the Management Board of End2End Wireless Limited. From 2001 and currently: Chairman of the Board of Directors and Chief Executive Officer of Wavecrest Group Enterprises Limited. From 2001 and currently: Director of Starnorth Limited. From October 2004 and currently: Chairman of the Audit Committee of the Board of Directors of Mechel Steel Group Open Joint Stock Company.	Mr. Gale owned no shares of the Company during the reporting year.
9.	<b>Sir Andrew M. Wood</b>	Year of birth: 1940. Education: B.A. and M.A. from King's College, Cambridge. Professional activities and positions held during the last five years: From 2000 and currently: Director of the Foreign and Colonial Investment Trust. From 2000 and currently: Director of The PBN Company. From 2000 and currently: Chairman of the Board of the Russo-British Chamber of Commerce.	Sir Andrew M. Wood owned no shares of the Company during the reporting year.

#### ***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 – during the reporting years were performed by Vladimir F. Iorich (please refer to Section 9 of this Report for the information on the person holding the position of the sole executive body of the Company).

#### ***11. CRITERIA FOR DETERMINATION AND AMOUNT OF COMPENSATION FOR THE PERSON HOLDING THE POSITION OF THE SOLE EXECUTIVE BODY 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.

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

[illegible]

	<ul style="list-style-type: none"> <li>is not a party to obligations of the issuer pursuant to which the director 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;</li> <li>who is not a representative of the State;</li> <li>have not been members of the Board of Directors for more than 5 years.</li> </ul>	<p><b>Complete compliance</b></p> <p><b>Complete compliance</b></p> <p><b>Complete compliance</b></p>	<p>Independent directors are not affiliates of the Issuer's affiliates.</p>
3.	<p><i>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 an independent director.</i></p> <p>An audit committee must include only independent directors, and, should this be impossible due to objective reasons, only independent and non-executive directors (directors not being the sole executive body and/or members of collective executive body of the issuer).</p> <p>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 participants.</p>	<p><b>Complete compliance</b></p> <p><b>Complete compliance</b></p>	<p><b>Documents (with requisite details) fixating this provision and No. of clause/article:</b></p> <p>- 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.</p> <p>- Bylaw on the Audit Committee of the Board of Directors of Mechel Steel Group Open Joint Stock Company approved by the Board of Directors of Mechel OAO on October 14, 2004.</p> <p><u>Name of the Committee Head and members of the Committee (specifying independent and/or non-executive directors):</u></p> <p>1. Roger I. Gale – Chairman of the Committee. 2. Sir Andrew M. Wood 3. A. David Johnson</p> <p>All of the above persons are independent directors.</p> <p><b>Documents fixating this provision or information on presenting such materials to the annual meeting:</b></p> <p>Bylaw on the Audit Committee of the Board of Directors of Mechel Steel Group Open Joint Stock Company approved by the Board of Directors of Mechel OAO on October 14, 2004.</p>

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.	<b>Complete compliance</b>	<p><b>Documents (with requisite details) fixating such obligations for each of the management body and No. of the clause/article:</b></p> <p>Clauses 18.23. and 19.12. of the Mechel OAO Charter.</p> <p>The Mechel OAO Charter does not provide for establishment of a collective executive body.</p>
5.	An issuer must disclose information on amount of compensations received by members of the board of directors, members of collective executive body and a person fulfilling functions of a sole executive body, including managing organization and manager.	<b>Complete compliance</b>	<p>Total amount of compensation to the Members of the Board of Directors and to the sole executive body is disclosed in a quarterly report of the issuer for a respective reporting period.</p> <p>The last published quarterly report of Mechel OAO is the 2004 Quarter 4 Report (para.5.3.).</p> <p>A quarterly report of Mechel OAO for 2005 Quarter 1 will be disclosed no later than forty five (45) days following the date of the quarter end, <i>i.e.</i> no later than May 16, 2005, in compliance with the requirements of para. 5.6 of the Resolution by the Russia's Federal Security Commission No. 03-32/ps dated July 2, 2003.</p> <p>Address of the site in the Internet on which information on compensation to the members of the management bodies is published is: <a href="http://www.mechel.ru">http://www.mechel.ru</a></p>
6.	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 with them, which is not public, and which disclosure may significantly affect market value of the issuer's securities.	<b>Complete compliance</b>	<p><u>Documents (with requisite details) or provisions fixating this norm in other document and No. of the clause/article:</u></p> <p>Bylaw On Use of Information of Mechel Steel Group Open Joint Stock Company, Which Disclosure May Have Significant Influence on Market Value of the Company's Securities of Mechel Steel Group Open Joint Stock Company, Minutes unnumbered December 10, 2004.</p>
7.	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, which has to report on any breaches revealed to the audit committee.	<b>Complete compliance</b>	<p><b>Documents (with requisite details) confirming establishment of the Audit Commission:</b></p> <p>Minutes of the Annual General Shareholders' Meeting of Mechel OAO No. 3 dated June 25, 2004.</p> <p>Documents (with requisite details) determining such procedures and No. of the clause/article:  <u>the body approved the required document:</u>  Bylaw on the Audit Commission of Mechel Steel Group Open Joint Stock Company approved by the Extraordinary general Shareholders' meeting of Mechel OAO, Minutes No.2 dated April 29, 2004.</p> <p><u>Document confirming establishment of such unit:</u></p>

			<p>Order by the Chief Executive Officer of Mechel OAO No. 109 dated December 10, 2004.</p> <p><u>Documents (with requisite details) determining such procedures and No. of the clause/article:</u></p> <p><b><u>the body approved the required document:</u></b></p> <p><b>Bylaw on the Internal Audit of Mechel Steel Group Open Joint Stock Company approved by the Board of Directors of Mechel OAO, Minutes unnumbered dated December 10, 2004.</b></p>
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**Additional requirements to issuers being joint stock companies**

8.	Notice on conduction of a general shareholders' meeting must be made no later than thirty (30) days prior to conducting it, unless the legislation provides for a greater period.	<b>Complete compliance</b>	<p><b>Documents (with requisite details) fixating this provision and No. of the clause/article:</b></p> <p>Clause 17.10. of the Mechel OAO Charter.</p>
9.	The joint stock company has committed itself not to release an acquirer from obligation to offer the shareholders to sell common shares of the company owned by them (emissive securities convertible into common shares) when acquiring 30 percent and more of the common shares of the joint stock company.	<b>Complete compliance</b>	<p><u>Documents (with requisite details) fixating this obligation and No. of the clause/article:</u></p> <p>In compliance with modifications and amendments to the Mechel OAO Charter registered on November 3, 2004, clause 11.9. stipulating such right is excluded.</p>

For the purpose to increase efficiency and quality of the work of the Board of Directors, the following Committees have been established in 2004 for preliminary consideration of the most important questions related to the competence of the Board of Directors:

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

***13. OTHER INFORMATION***

There is no any other information.