

APPROVED

by the Annual General Meeting of Shareholders
of Mechel OAO

Minutes No. ____ of the Annual General

Meeting of Shareholders dated _____

Chairman of the Meeting

_____ (I. V. Zyuzin)

Secretary of the Meeting

_____ (O. A. Yakunina)

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

1. This Bylaw is elaborated in accordance with Art. 64 of the Federal Law, “On Joint Stock Companies”, No. 208-FZ dated December 24, 1995, (hereinafter, the “Law”) and the Charter of Mechel OAO (hereinafter, the “Company”).

2. Remuneration is to be paid to Members of the Board of Directors, who do not have employment relationships with the Company, its subsidiaries, and affiliated companies, during the period when they fulfill their obligations. Such remuneration shall include direct payment to be effected to Member of the Board of Directors and additional payments in favor of Members of the Board of Directors, except such Members of the Board of Directors who are not residents in the Russian Federation, under medical insurance contracts of Members of the Board of Directors and their family members depending on them.

Amount of additional payments under medical insurance contracts of any of the members of the Board of Directors and their respective family members depending on them shall not exceed US\$2,500.00 (United States Dollars Two thousand five hundred and 00 cents) per annum.

Additional payments in favor of Members of the Board of Directors shall be payable by the Company directly to respective third parties.

Amount of remuneration (direct payment) to Chairman of the Company’s Board of Directors shall be US\$ 300,000.00 (United States Dollars Three hundred thousand and 00 cents) per annum; amount of remuneration (direct payment) to Chairman of the Strategy, Planning, and Coordination Committee shall be US\$ 120,000.00 (United States Dollars One hundred and twenty thousand and 00 cents) per annum; amount of remuneration (direct payment) to Chairman of the Mining Development Strategy Committee shall be US\$ 72,000.00 (United States Dollars Seventy two thousand and 00 cents) per annum; amount of remuneration (direct payment) to Chairman of the Steel Development Strategy Committee shall be US\$ 72,000.00 (United States Dollars Seventy two thousand and 00 cents) per annum; amount of remuneration (direct payment) to Chairman of the Audit Committee shall be US\$ 150,000.00 (United States Dollars One hundred and fifty thousand and 00 cents) per annum; and amount of remuneration (direct payment) to members of the Audit Committee shall be US\$ 140,000.00 (United States Dollars One hundred and forty thousand and 00 cents) per annum.

Amount of remuneration to members of the Board of Directors is established with due account of increments for their fulfilling obligations of Chairman of the Board of Directors Committee and nature of the Board of Directors Committee’s work.

3. Accruals pursuant to this Bylaw shall be made starting from July 1, 2005, on a monthly basis on the last date of each month and payments shall be effected monthly no later than the 15-th date of each month following a respective payment period (month). Payments to Members of the Board of Directors shall be effected in compliance with Russian Federation legislation. Payments to Members of the Board of Directors shall be effected in rubles based on the US Dollar exchange rate established by the Russian Federation Central Bank effective at the moment of accrual.

Remuneration to Members of the Board of Directors who are not residents in the Russian Federation for fulfilling functions entrusted to them during the period from October 15, 2004, to June 30, 2005, shall be paid no later than July 15, 2005.

Payments shall be effected even in the event when Members of the Board of Directors are not able to attend a meeting of the Board of Directors for fulfilling their functions due to an illness or any other reasons beyond their control but, at the same time, fulfill their functions in accordance with the procedure stipulated in the Bylaw on the Board of Directors.

4. Members of the Board of Directors shall be compensated during the period of their fulfilling their obligations for expenses connected with their fulfilling their functions as Members of the Board of Directors, provided such expenses are evidenced with respective documents, including as follows:

- travel to a place of fulfillment of functions of Member of the Board of Directors and back by transport of any class of comfort: air, railroad, water, and motor transport, including enjoyment of VIP halls, taxi fare (from an airport, station, and/or wharf to a place of fulfillment of functions of Member of the Board of Directors; and from a place of fulfillment of functions of Member of the Board of Directors to an airport, station, and/or wharf); insurance payments for passenger insurance in transit; payment for advance sale of travel documents; and luggage transportation;
- room in a hotel of any class of comfort during the time necessary for fulfillment of functions of Member of the Board of Directors; and
- expenses related to turning of Members of the Board of Directors to legal, financial, accountancy and/or any other professional consultation for fulfilling their functions as Members of the Board of Directors.

Compensation for expenses connected with fulfillment of functions of Member of the Board of Directors shall be made within ten (10) business days from the moment of presentation of original documents confirming expenses incurred.

Expenses incurred by Members of the Board of Directors in foreign currency shall be compensated in Russian Rubles at the exchange rate of such foreign currency established by the Russian Federation Central Bank and effective as on the date of presenting documents evidencing such incurred expenses.

Wherever necessary, the Company may pay such expenses directly to a person providing services (transportation services, hotel services, *etc.*).

5. The Company shall compensate Members of the Board of Directors for expenses connected with their getting education related to the Company's business, industry of its activities, and markets on which it operates, or shall pay such expenses directly to a respective third party.

6. Payment of remuneration to Members of the Board of Directors who are officers of Federal bodies of state power, bodies of state power of subjects of the Russian Federation, and/or officers of agencies of local self-government shall be effected in accordance with the effective Russian Federation legislation and legislative acts of subjects of the Russian Federation and agencies of local self-government.

7. The Company shall be tax agent in relation to Members of the Board of Directors in accordance with the Russian Federation legislation. The Company shall make computation and payment of the tax related to incomes of Members of the Board of Directors.

8. This Bylaw shall become effective until its annulment or approval of a new version of the Bylaw by resolution of General Meeting of Shareholders.