

Dear Sirs,

The following proposal is made on distribution of OAO Mechel net profit:

Net income of the Company amounted to RUR 8,763,441 thousand, as of December 31, 2005.

Net profit is to be distributed as follows:

1. Dividends payment on distributed common shares in the amount of 12.73 RUR per share. The total amount to be paid to shareholders - 5 299 126 583.85 RUR. Payment is to be made by bank transfer not later than December 31, 2006.
2. Remaining net profit amount of 3 464 314 406.97 RUR is to be transferred to unremitted earnings.

Note: Total number of distributed ordinary common shares - 416 270 745.