

Introduction of preference shares provision into Mechel's Charter

Mechel's shareholders are offered to allow for introduction of preference shares as a means of diversifying financial instruments that would be available to the Company management while conducting projects for the Company's further development. Possible listing of preference shares would help to raise capital on attractive terms without increasing the Company's debt position in uneasy debt capital markets, where costs of funds have risen significantly. Profits from possible offering of preference shares would be used for de-leveraging the Group (Mechel OAO and its subsidiaries) and finance growth plans that should increase the Company's profitability and profile creating additional value for its shareholders.

We expect this new instrument to be particularly appealing to investors who wish to be sure of receiving increased dividends on a regular basis. At the same time introduction of preference shares will not affect in any negative way interests of Mechel's current minority shareholders since there is no change in the Company's dividend policy for regular shares, which provides for payout ratio of not less than 50% of annual US GAAP net profit. Also, since the preferred shares will be issued under Russian law, they will have no additional voting or property rights, thus not diluting rights or benefits of existing shareholders of Mechel's ordinary shares/ADRs.

We believe that placement of preference shares should be beneficial to all shareholders since it will increase the scope and depth of the shareholder base, further improve trading liquidity and elevate the Company's visibility and standing in the financial community while securing additional capital for Mechel's development.