

Approved
by the Resolution of the Board of
Directors of Mechel Steel Group OAO
on January 21, 2005

BYLAW ON THE PROHIBITION AND PREVENTION OF INSIDER TRADING

I. INTRODUCTION

Preventing insider trading is necessary to comply with applicable laws, rules, and regulations and to preserve the reputation and integrity of Mechel Steel Group OAO (the “**Company**”), as well as that of all persons affiliated with it. “**Insider trading**” occurs when any person purchases or sells a security while in possession of inside information relating to the security. As explained in Section III below, “inside information” is information, which is considered to be both “material” and “non-public.” Questions regarding this Bylaw should be directed to the Corporate Affairs Department.

This Bylaw applies to all members of the Board of Directors (“**directors**”), officers, designated employees and all other employees of the Company and its subsidiaries and extends to all activities within and outside an individual’s duties at the Company. For purposes of this Bylaw, “**designated employees**” refers to certain employees designated by the Company’s General Counsel for Corporate Affairs who, because of their job responsibilities, are considered to be more likely to have access to material, non-public information. The designated employees shall be notified in writing of such designation.

The policies set forth in this Bylaw also apply to transactions by each officer’s, director’s and employee’s (i) spouse, children or other relatives living in the same household (“**family members**”); (ii) corporations or other business entities controlled by such officer, director or employee or his family members; (iii) corporations or other business entities controlled by the Company; and (iv) trusts in which such officer, director or employee or any family member acts as trustee or otherwise has investment control.

Any violation of this Bylaw or applicable laws, rules, and regulations could result in disciplinary measures, including dismissal.

II. PROHIBITION ON INSIDER TRADING

No officer, director or employee shall purchase or sell any type of security while in possession of material, non-public information relating to the security, whether the issuer of such security is the Company or any other company.

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of Company securities, all transactions in Company securities (including without limitation, acquisitions and dispositions of Company common shares or American Depositary Receipts (“**ADRs**”), the exercise of stock options and the sale of Company common shares issued

upon exercise of stock options) by officers, directors or designated employees must be pre-cleared by the General Counsel for Corporate Affairs. In addition, no officer, director or designated employee shall purchase or sell any security of the Company during the period beginning the last day of any fiscal quarter of the Company and ending two days after the public release of U.S. GAAP earnings data for such fiscal quarter.

Moreover, no officer, director or employee shall directly or indirectly tip material, non-public information to anyone who may trade while in possession of such information. In addition, material, non-public information generally should not be communicated to anyone outside the Company, or to anyone within the Company other than on a need-to-know basis.

III. EXPLANATION OF INSIDER TRADING

As noted above, “**insider trading**” refers to the purchase or sale of a security while in possession of “material” “non-public” information relating to the security. “**Securities**” include not only stocks, bonds, notes and debentures, but also options, warrants and similar instruments. “**Purchase**” and “**sale**” are defined broadly under the securities law. “**Purchase**” includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. “**Sale**” includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions including conventional cash-for-stock transactions, conversions, the grant and exercise of stock options and acquisitions and exercises of warrants or puts, calls or other options related to a security. Insider trading includes the following:

- trading by insiders while in possession of material, non-public information;
- trading by persons other than insiders while in possession of material, non-public information where the information either was given in breach of an insider’s fiduciary duty to keep it confidential or was misappropriated; or
- communicating or tipping material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information.

A. What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered “**material**” if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security or where the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company’s business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) facts concerning:

- dividends, stock splits or stock buy-back programs;
- corporate earnings or earnings forecasts;
- mergers, merger discussions, tender offers, joint ventures, or other events which could result in a change of control of the Company;

- significant acquisitions or dispositions of businesses, assets or licenses;
- entry into, defaults under or termination of material contracts;
- significant borrowings or financings;
- institution of significant new litigation or material developments concerning existing significant litigation;
- management changes or changes in control;
- changes in the Company's auditor or a notification that the Company may not rely on an auditor's report any longer;
- significant regulatory or other actions by governments or government agencies involving the Company;
- liquidity or cash problems or defaults or potential defaults on borrowings; and
- bankruptcies.

Moreover, material information does not have to be related to a company's business. For example, the contents of a forthcoming newspaper column that is expected to affect the market price of a security can be material.

When in doubt, do not trade.

B. What is Non-public?

Information is "**non-public**" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination.

In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow approximately 48 hours following publication as a reasonable waiting period before such information is deemed to be public.

C. Who is an Insider?

"**Insiders**" include officers, directors, and employees of a company and anyone else who has material inside information about a company. Insiders have independent fiduciary duties to their company and its stockholders not to trade on material, non-public information relating to the company's securities. All officers, directors, and employees of the Company should consider themselves insiders with respect to material, non-public information about business activities and securities. Officers, directors, and employees may not trade the Company's securities while in possession of material, non-public information relating to the Company nor tip (or communicate except on a need-to-know basis) such information to others.

It should be noted that trading by members of an officer's, director's or employee's household can be the responsibility of such officer, director or employee under certain circumstances and could give rise to legal and Company-imposed sanctions.

D. Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material, non-public information to a third party (a "**tippee**"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information which has been misappropriated.

Tippees inherit an insider's duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee's liability for insider trading is no different from that of an insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

E. Penalties for Engaging in Insider Trading

1. Laws of the Russian Federation

Pursuant to Article 33 of the Federal Law on the Securities Market, "persons possessing official information are not entitled to use such information to conclude transactions or to provide official information to third parties for the conclusion of transactions."

Offenders shall be liable to the Company for losses caused to the Company by their culpable actions and omissions. In addition, a shareholder or shareholders owning in the aggregate at least 1 percent of the placed common shares of the Company are entitled to bring a court action for compensation of damages suffered by them.

Third parties who suffer damage due to the unlawful disposition and use of insider information are entitled to seek compensation for such damage from the offender(s) through the courts.

Pursuant to the provisions of the Code of Administrative Offenses, offenders may be punished by fines.

2. Laws of the United States

The U.S. Securities and Exchange Commission ("**SEC**") and U.S. Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the U.S. federal securities laws include:

- SEC administrative sanctions;
- securities industry self-regulatory organization sanctions;
- civil injunctions;

- damage awards to private plaintiffs;
- disgorgement of all profits;
- civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- civil fines for the employer or other controlling person of a violator (*i.e.*, where the violator is an employee or other controlled person) of up to the greater of \$1,000,000 or three times the amount of profit gained or loss avoided by the violator;
- criminal fines for individual violators of up to \$1,000,000 (\$2,500,000 for an entity); and
- jail sentences of up to 10 years.

You can also be sued in U.S. courts by third parties for violating U.S. securities laws.

IV. PROCEDURES PREVENTING INSIDER TRADING

The following procedures have been established, and will be maintained and enforced, by the Company to prevent insider trading.

A. Pre-Clearance of All Trades in Company Securities by Officers, Directors and Designated Employees

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of Company securities, all transactions in Company securities (including without limitation, acquisitions and dispositions of Company common shares or ADRs, the exercise of stock options and the sale of Company common shares issued upon exercise of stock options) by officers, directors, and designated employees must be pre-cleared by the General Counsel for Corporate Affairs and notified to the Board of Directors' Audit Committee, such notice to certify that the requirements of this Bylaw have been met in concluding such transactions.

If after consultation with the General Counsel for Corporate Affairs it is determined that the Company and/or such officer, director or designated employee is in possession of material, non-public information relating to such security, there may be no trading in Company securities.

Any profit realized by an officer, director or designated employee in violation of this prohibition is recoverable by the Company, regardless of the intent of the officer, director or designated employee.

B. Information Relating to the Company

1. Access to Information

Access to material, non-public information about the Company, including the Company's business, earnings or prospects, should be limited to officers, directors and

employees of the Company on a need-to-know basis. In addition, such information should generally not be communicated to anyone outside the Company.

In communicating material, non-public information to employees of the Company, all officers, directors and employees must take care to emphasize the need for confidential treatment of such information and adherence to the Company's policies with regard to confidential information.

2. Inquiries From Third Parties

Inquiries from third parties, such as industry analysts or members of the media, about the Company should be directed to Irina Ostryakova, Director of Department of External Communications.

C. Limitations on Access to the Company Information

The following procedures are designed to maintain confidentiality with respect to the Company's business operations and activities.

All officers, directors, and employees should take all steps and precautions necessary to restrict access to, and secure, material, non-public information by, among other things:

- maintaining the confidentiality of Company-related transactions;
- conducting business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons;
- restricting access to documents and files (including computer files) containing material, non-public information to individuals on a need-to-know basis (including maintaining control over the distribution of documents and drafts of documents);
- promptly removing and cleaning up all confidential documents and other materials from conference rooms following the conclusion of any meetings;
- disposing of all confidential documents and other papers, after there is no longer any business or other legally required need, through shredders when appropriate;
- restricting access to areas likely to contain confidential documents or material, non-public information; and
- avoiding the discussion of material, non-public information in places where the information could be overheard by others such as, without limitation, in elevators, restrooms, hallways, restaurants, airplanes or taxicabs.

Personnel involved with material, non-public information, to the extent feasible, should conduct their business and activities in areas separate from other Company activities.

D. Avoidance of Certain Aggressive or Speculative Trading

All officers, directors, and employees and their respective family members (including spouses, minor children, or any other family members living in the same household), should ordinarily not directly or indirectly participate in transactions involving trading activities which by their aggressive or speculative nature may give rise to an appearance of impropriety. Such activities would include the purchase of put or call options, or the writing of such options.