

# **AUDITOR'S OPINION**

## **ON THE FINANCIAL STATEMENTS OF MECHEL OPEN JOINT STOCK COMPANY FOLLOWING THE RESULTS OF ITS ACTIVITIES FOR THE YEAR 2007**

BDO Unicon ZAO has audited the financial statements of Mechel OAO (hereinafter, the "Company") for the year 2007 in accordance with Contract No. 10201-02-432/07-19 of September 10, 2007, concluded on the basis of the resolution of the Company's General Shareholders' Meeting on approving BDO Unicon ZAO the official auditor of the Company (Minutes No. 1 of June 29, 2007).

### **Basic Information on BDO Unicon ZAO**

BDO Unicon ZAO is registered by Tax Inspectorate No. 26 for the Southern Administrative District of the City of Moscow of the RF Ministry for Taxes and Levies;

Certificate Series 77, No. 006870804, on registration in the Unified State Register of Legal Entities under Primary State Registration No. 1037739271701, is issued on January 29, 2003.

Certificate Series 77, No. 005694312, on registration of changes introduced in the entity's constituent documents, is issued by Interregional Inspection No. 46 for the City of Moscow of the Federal Tax Service.

Location: Section 11, Bldg. 1, 125 Warshavskoye Shosse, Moscow, 117545.

Telephone: +7(495) 797-56-65

Fax: +7(495) 797-5660.

E-mail: [reception@bdo.ru](mailto:reception@bdo.ru)

Web: [www.bdo.ru](http://www.bdo.ru)

The functions of managing BDO Unicon ZAO are exercised by BDO Unicon Management OOO's CEO, A. Yu. Dubinskiy, acting on the basis of the Charter and the Agreement of June 29, 2007, on the transfer of powers of BDO Unicon ZAO's sole executive body to the management company, BDO Unicon Management OOO.

BDO Unicon ZAO holds License for Audit Practice No. E 000547 dated June 25, 2002, issued by the Russian Federation Finance Ministry, valid until June 26, 2012.

BDO Unicon ZAO is an independent national audit company and a member firm of the worldwide BDO network.

BDO Unicon ZAO is a corporate member of the professional audit association, Non-Profit Partnership "The Institute of Professional Accountants of Russia" (IPAR), accredited at the RF Ministry of Finance in accordance with Order No. 152 of July 24, 2002.

The authority to sign this Auditor's Opinion rests with the Partner, Vladislav Yu. Pogulyaev, based on Power of Attorney No. 6-01/2008-Yu of January 1, 2008.

Auditor Sergey N. Rudakov, Auditor-in-Charge, headed the audit of the Company.

**BDO**

**BDO Unicon**  
Auditors and Consultants

## Basic Information on Mechel OAO

Mechel Open Joint Stock Company is registered with Interregional Inspection No. 46 for the City of Moscow of the Federal Tax Service on July 19, 2005, Certificate of Registration Series 77, No. 006840046; and re-registered with Inspection No. 14 for the City of Moscow of the Federal Tax Service in connection with the change of the entity's location, Certificate of Registration Series 77, No. 009106720.

Legal (mailing) address of the Company: 1 Krasnoarmeyskaya St, 125993 Moscow.

1. We have audited the following accompanying financial statements for 2007, on 65 pages:

- Accounting Balance Sheet (Form No. 1), on 2 pages;
- Profit and Loss Statement (Form No. 2), on 1 page;
- Equity Changes Statement (Form No. 3), on 2 pages;
- Cash Flow Statement (Form No. 4), on 1 page;
- Supplement to Accounting Balance Sheet (Form No. 5), on 5 pages; and
- Explanatory Note, on 54 pages.

The foregoing financial statements are prepared by the Company's management in accordance with the standards established by the Russian Federal Law "On Accounting" No. 129-FZ of November 21, 1996 (as subsequently amended), Accounting Regulations, Order of the RF Finance Ministry "On Organizations' Accounting Statement Forms" No. 67n of July 22, 2003, and other Russian Federation statutory documents regulating the procedure to maintain accounting and prepare financial statements.

Responsibility for organization of the accounting and compliance with the Russian Federation legislation in conducting business operations rests on the Company's CFO, Stanislav A. Ploschenko, on the basis of Power of Attorney No. 018M-07 of January 12, 2007, issued by Mechel OAO's Chief Executive Officer Igor V. Zyuzin.

Responsibility for developing accounting policy, maintaining accountancy, and timely presenting complete and reliable financial statements rests on the Company's Chief Accountant:

- from January 01, 2007, to September 03, 2007, Elena L. Kryazhevskikh; and
- from September 03, 2007, and currently, Tatyana A. Kalyadina.

The financial statements for the period from January 1, 2006, up to and including December 31, 2006, were confirmed by the Auditor, FAC ZAO, whose opinion dated March 29, 2007, expressed positive view on the said financial statements with no reservations.

Our responsibility is to express an opinion on reliability, in all material respects, of the submitted financial statements and on compliance of the applied accounting procedures with the Russian Federation legislation. It was not the objective of our audit to issue an opinion on full compliance of the Company's operations with the Russian Federation legislation or to assess the management's efficiency in running the Company.

Our opinion may not be considered by any user of the financial statements as expression of our certainty in continuation of the Company's future activities.

**BDO**

**BDO Unicon**  
Auditors and Consultants

2. We conducted our audit in accordance with the Federal Law “On Auditing Activity” No. 119-FZ of August 7, 2001, and Federal Audit Rules (Standards) approved by the Russian Government Resolution No. 696 of 23 September 2002 (as subsequently amended); and the internal audit standards and methodologies.

In conducting our audit, we guided ourselves by the Internal Rules (Standards) of the professional audit association, Institute of Professional Auditors of Russia. The audit was planned and conducted so as to obtain a reasonable assurance that the financial statements contain no material distortions.

The audit included examining, on a sample test basis, evidences supporting the amounts and disclosures in the financial statements on financial and business operations. The audit also included assessing compliance with the accounting principles and rules used in preparing the financial statements, examining significant estimates made by the Company’s management, and assessment of the financial statements presentation.

We believe that our audit provides a reasonable basis for our opinion on reliability, in all material respects, of the accompanying financial statements and compliance of the accounting practices with the Russian Federation legislation.

3. In our opinion, the financial statements of the Company present reliably, in all material respects, its financial position as of December 31, 2007, and the results of its operations for the period from January 1, 2007, up to and including December 31, 2007.
4. Not changing its opinion on the financial statements’ reliability, the Auditor notes the information stated in the Explanatory Note to the financial statements on the increase of the financial investments by RUR7,084,813 thousand as of January 1, 2007, as compared to those as of December 31, 2006. The foregoing increase is connected with the change in the Company’s accounting principles to account the value of the shares listed on the stock markets.

March 28, 2008.

Partner

<Affixed is the corporate stamp  
of BDO Unicon>

<SIGNED>

V. Yu. Pogulyaev

Qualification Certificate for General Audit from the RF Finance Ministry No. K 002448, issued based on the Resolution of the Central Audit Certifying and Licensing Commission of the RF Finance Ministry dated October 28, 1999, the valid term have been extended for an unlimited period from January 01, 2003 (Minutes No. 72 of the CACLC of the RF Finance Ministry).

Auditor

<SIGNED>

<Affixed is the corporate stamp  
of BDO Unicon>

S. N. Rudakov

Qualification Certificate for General Audit for General Audit from the RF Finance Ministry No. K 010070, issued based on the Resolution of the Central Audit Certifying and Licensing Commission of the RF Finance Ministry dated December 19, 1994, the valid term have been extended for an unlimited period from August 24, 2007 (Minutes No. 12 of the CACLC of the RF Finance Ministry).

Total number of pages bound 69 pages.

**BDO**

**BDO Unicon**  
Auditors and Consultants