

Explanatory note on related party transactions

10.1.1 - 10.1.3 The following guarantees, pledges and other securities for Chelyabinsk Metallurgical Plant, Southern Kuzbass Coal Comany and Southern Urals Nickel Plant liabilities are approved in the general course of restructuring and refinancing: the USD 1.5 billion syndicated bridge loan (Facility A) after being partially repaid (USD500 mln.) will be transferred to three of the Mechel Group operating entities - Chelyabinsk Metallurgical Plant, Southern Kuzbass Coal Comany and Southern Urals Nickel Plant (the proportion to be defined later).

10.1.4 - 10.1.7 The following guarantees, pledges and other securities for Chelyabinsk Metallurgical Plant, Southern Kuzbass Coal Comany and Southern Urals Nickel Plant liabilities are approved for the aim of enlarging the security for the USD 2.0 billion syndicated loan (Facility B).

Also, we would suggest using the possibility provided by the clause 83 point 6 of the Federal Law and approve maximum amount of suretyships which could be issued by Mechel OAO for its subsidiaries in the amount up to 50% from the Total Assets of Mechel OAO on the latest reported quarter (1Q2009). Such approval will have force till the next annual shareholder's meeting, i.e. middle of 2010. Such framework approval will allow the company not to arrange extraordinary shareholder's meeting for approval of issuance by Mechel OAO of separate suretyships under each structured facility arranged to its subsidiaries, which amount exceeds 2% from the Total Assets value for the latest reported quarter, but also save time during realization of large investment deals, which will have a positive effect on costs and structure of the attracted loans, which will ultimately be translated into the shareholders' value of the Group.

Approval of proposed transactions will allow Mechel to restructure it's debt portfolio to a long-term debt, thus allowing for stability in it's business operations in the deficit of liquidity environment caused by the World economic crisis.