

**2005 9 Months Results Presentation
December 16, 2005**



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Introduction and Overview

Mechel at a glance

Low-cost vertically integrated producer, virtually self-sufficient in raw materials

Strong mining business: 2nd largest coking coal producer and largest exporter

NYSE-listed, best corporate governance practices



Strategy to increase segment value and overall efficiency

Track record of turning around assets and realizing synergies

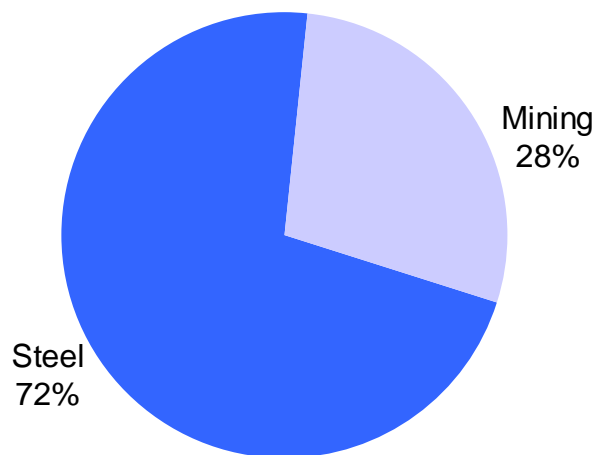
Able to increase production and lower costs with targeted capex



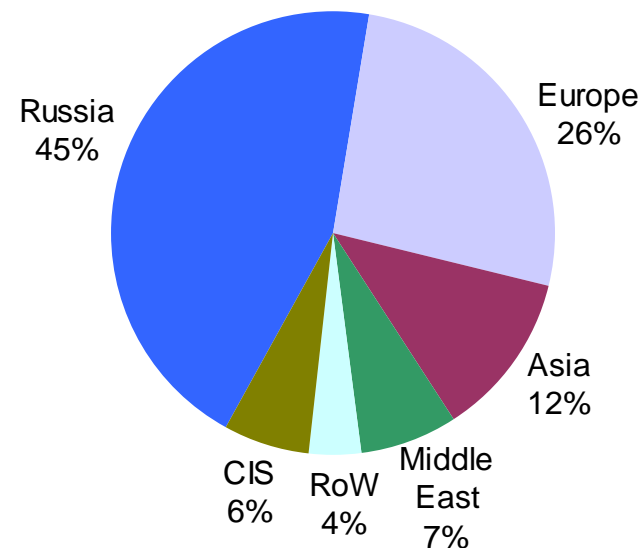
Highlights

- ◆ Net income was \$314.72 million in 9M05 on revenues of \$2.91 billion
- ◆ Consolidated EBITDA margin of 19.6%
- ◆ High profitability of the mining segment
- ◆ Efficiency improvement programs in the steel segment yielding first results
- ◆ Maintained leadership in core products
 - 2nd largest coking coal producer and largest exporter
 - 2nd largest longs producer

Revenue breakdown by product, 9M05



Revenue breakdown by region, 9M05



9M05: Mining Segment

- ◆ Operating income of \$341.28 million on revenues of \$823.55 million
 - Operating income growth of 36.5%
 - Revenue growth of 47.9%
- ◆ EBITDA margin of 46.1%. Mining segment EBITDA represented 66.7% of consolidated EBITDA
- ◆ Substantial and growing sales to 3rd parties
- ◆ Strong output growth in iron ore concentrate combined with the commissioning of the sinter plant at CMP further strengthens our self-sufficiency in raw materials

Product	9M05, thousand tonnes	9M05 vs. 9M04, %
Coal	11,670	+2.0
Coking coal	6,472	-5.0
Steam coal	5,198	+11.0
Iron ore concentrate	3,374	+20.0
Nickel	9	-8.0



Mining Strategy

- ◆ Organic growth to increase coal production to 25 million tonnes by 2010, including the greenfield development of two additional license areas currently under consideration
- ◆ Increase in coal reserves to ensure further development of the mining segment

New coal projects, end 2004/2005

Name	Reserves*	Minimum annual extraction (first stage/second stage)	Year of commencing commercial production	Coal type	Infrastructure
<i>New license areas</i>					
Sibirginskaya Mine <i>New license</i>	65 mln tonnes	1.4/2.4 mln tonnes	Q3 2005	Coking	Adjacent
Berezovsky-2 <i>New license</i>	30 mln tonnes	0.45/0.5 mln tonnes	Q2 2006	Coking	Adjacent
Raspadsky Open Pit Mine <i>New license</i>	25 mln tonnes	0.75/1.0 mln tonnes	2007	Coking	Adjacent
Olzherasskaya Mine <i>New license</i>	600 mln tonnes	1.0/2.5 mln tonnes	2009	Coking	Adjacent
Razvedochny <i>New license</i>	150 mln tonnes	1.0/1.5 mln tonnes	2009	Coking	Adjacent
Sorokinsky <i>New license</i>	138 mln tonnes	1.0/1.5 mln tonnes	2009	Anthracite/ Steam	Adjacent
Erunakovskaya-1 <i>New license</i>	58 mln tonnes	1.0/2.0mln tonnes	2009	Coking	Greenfield
Erunakovskaya-3 <i>New license</i>	207 mln tonnes	1.0/2.0 mln tonnes	2009	Coking	Greenfield
Overall	1.3 billion tonnes				
<i>New acquisitions</i>					
Yakutugol <i>Acquired 25% + 1 share stake</i>	300 mln tonnes	9 mln tonnes	Current	Coking – 5.4 mln tonnes Steam – 3.6 mln tonnes	

* According to Russian standards

9M05: Steel Segment

- ◆ Revenues increased 8.8% to \$2.09 billion in 9M05
- ◆ Steel segment EBITDA constituted 33.3% of consolidated EBITDA
- ◆ Efficiency and cost-saving programs resulted in improving EBITDA margin

Steel segment production

Product	9M05, thousand tonnes	9M05 vs. 9M04, %
Hardware	441	+4.0
Rolled products	3,450	+3.0
Steel	4,420	+3.0
Pig iron	2,475	-10.0
Coke	1,963	-11.0



Overall strategy

Management focus on profitability of operations

Mining

- ◆ Expand the mining segment, both through organic growth and acquisitions
- ◆ Maintain control over costs

Steel

- ◆ Focus on improving profitability of steel operations through cost control and efficiency gains as primary goals going forward
- ◆ Improve the product mix towards higher-value quality flat products, options to be presented to the Board of Directors in the near-term future

Corporate

- ◆ Improve integration between subsidiaries
- ◆ Strive to implement best corporate governance practices

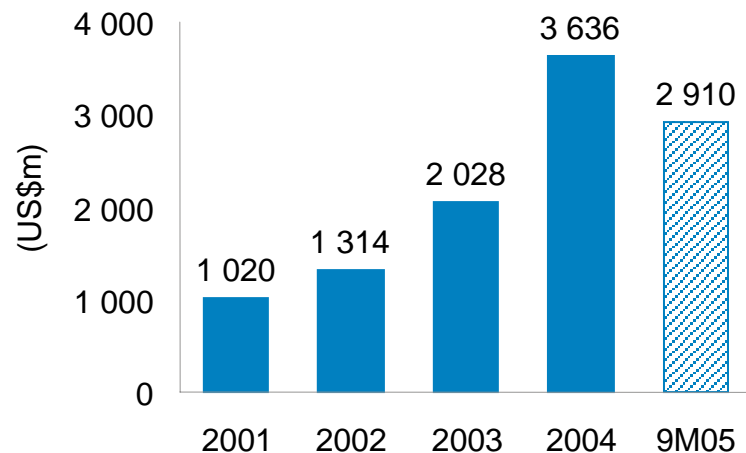


Financial Review

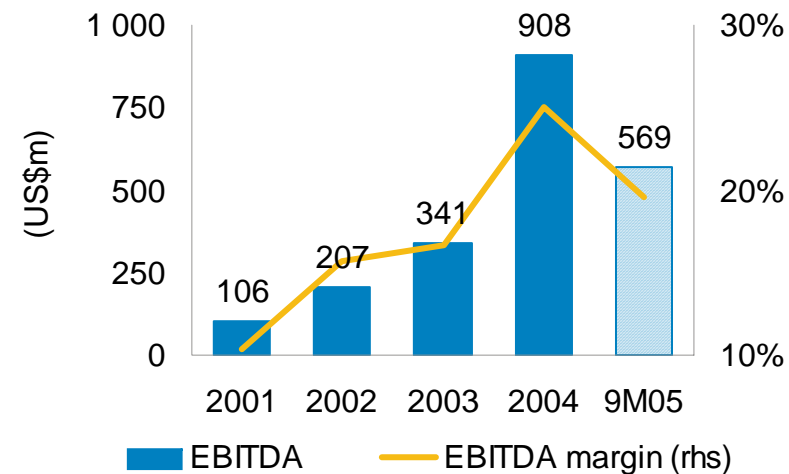


Strong financial performance

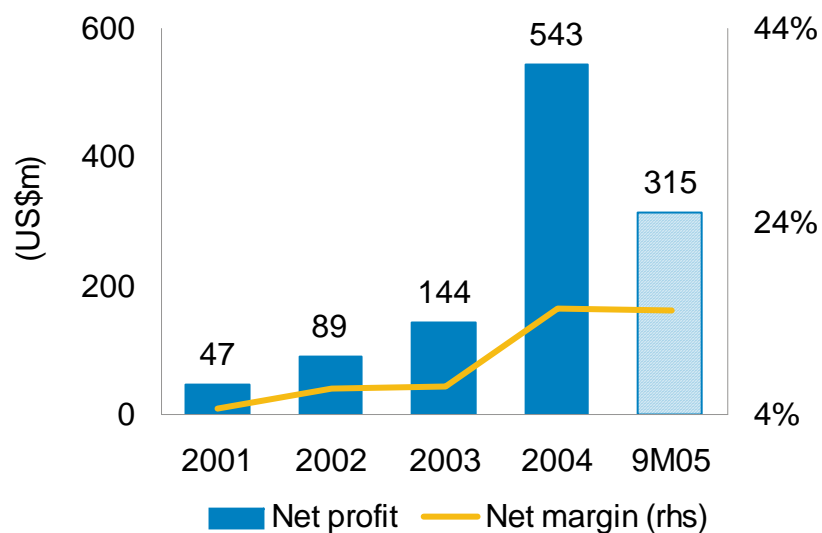
Revenues



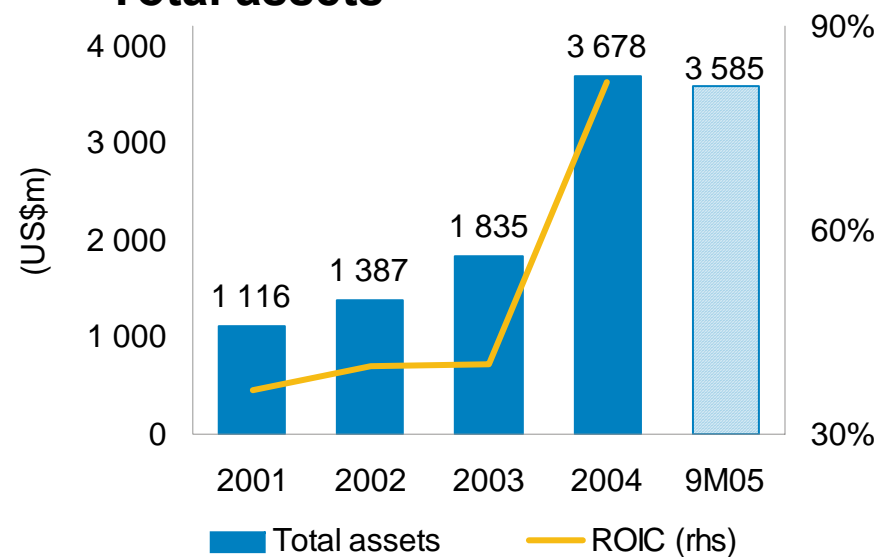
EBITDA*



Net profit *



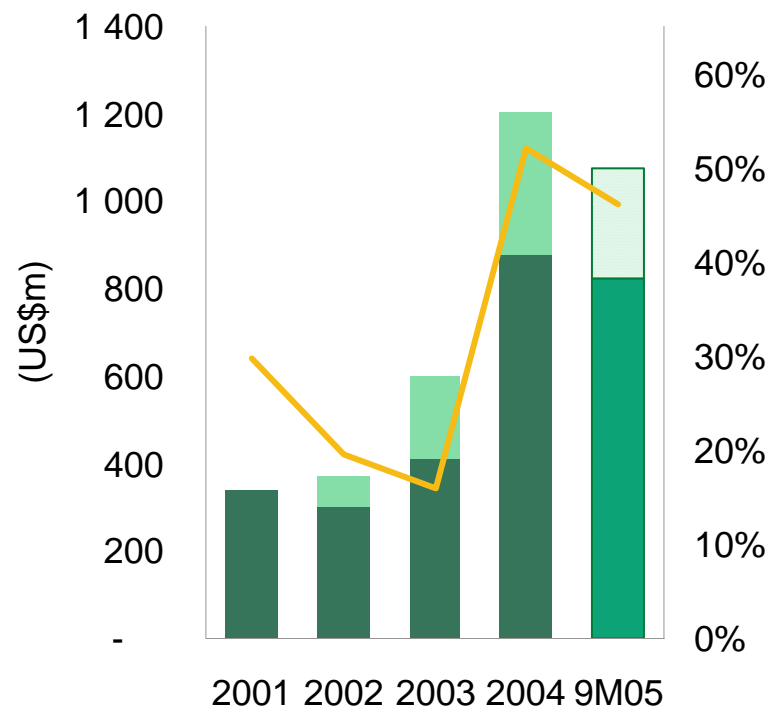
Total assets



* Excluding MMK gain

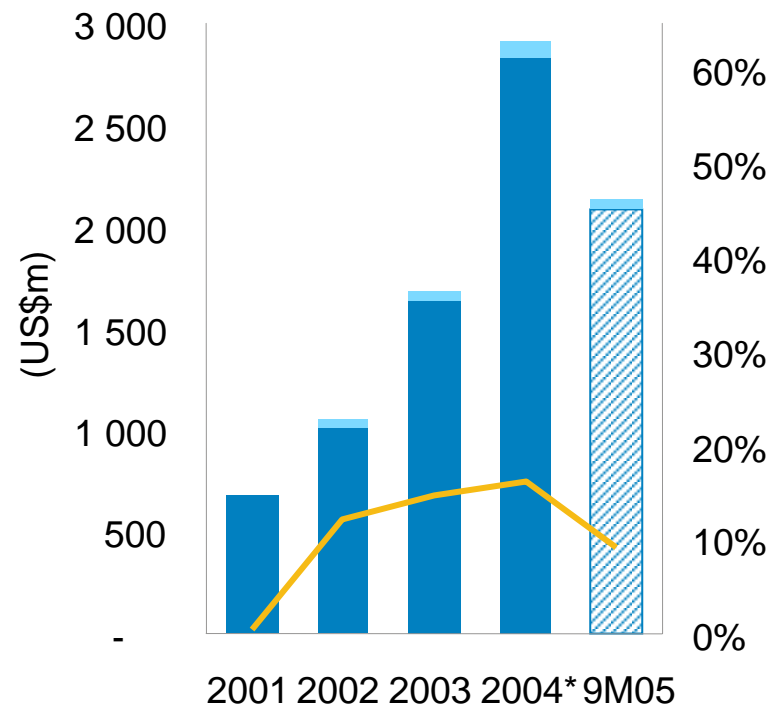
Segment operations

Mining segment



■ Intersegment revenues
■ Revenues
— EBITDA margin (rhs)

Steel segment



■ Intersegment revenues
■ Revenues
— EBITDA margin (rhs)

* Excluding MMK gain

Correction of 1H and 1Q 2005 Results

Mechel corrects the accounting for certain trading transactions within the steel segment

- ◆ Correction in netting off certain trading transactions
- ◆ Correction has no effect on gross or net operating income
- ◆ Correction affects revenue, cost of goods sold, and margin percentages deriving from such for the consolidated, and steel segment, results

Corrected Numbers

	Six Months ended June 30, 2005			Three Months ended March 31, 2005		
	As previously reported	Corrected by	As corrected	As previously reported	Corrected by	As corrected
Revenue	2,143,349	(64,130)	2,079,219	1,049,383	(9,927)	1,039,456
Cost of goods sold	(1,342,932)	64,130	(1,278,802)	(599,424)	9,927	(589,497)
Gross margin % - as it was	37.3%	<i>(1.2%)</i>	38.5%	42.9%	<i>(0.4%)</i>	43.3%
Net operating margin	16.9%	<i>(0.5%)</i>	17.4%	21.6%	<i>(0.2%)</i>	21.8%
Consolidated EBITDA margin	19.7%	<i>(0.6%)</i>	20.3%	26.7%	<i>(0.2%)</i>	26.9%
Steel segment						
Revenues from external customers	1,549,260	(64,130)	1,485,130	735,747	(9,927)	725,820
EBITDA margin	6.6%	<i>(0.3%)</i>	6.9%	12.7%	<i>(0.2%)</i>	12.9%

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