

The Independent Consulting Group
“2K Audit - Business Consulting” Closed Joint Stock Company

Report No.A-12/08
On Assessment of the Market Value
of One (1) Ordinary Registered Book-Entry Share
of Mechel OAO

Basis for assessment:

Agreement No.02/803132
dated February 13, 2008.

Date of the Report:

March 17, 2008.

Customer:

Mechel OAO

1. Information on the Report

1.1. Assignment for Assessment

1.1.1. Assessment Subject

The assessment subject is one (1) ordinary registered book-entry share of Mechel OAO.

1.1.2. Property Rights to Assessment Subject

The Customer is the issuer of the assessment subject (state registration number of the issue is 1-01-55005-E dated April 29, 2003).

This Assessment Report determines the property right.

Pursuant to the Russian Federation Civil Code, Art. 209, “Substance of the Right of Ownership”, “Owners have the rights of possession, use, and disposal of their property. 2. Owners have the right at their own discretion to perform with respect to the property in their ownership any actions, not contradicting the law and other legal acts, and not violating the rights and law-protected interests of other persons, including alienation of their own property into the ownership of other persons, transfer to them, while themselves remaining the owners of the property, of the rights of its possession, use and disposal, putting of their property in pledge and its burdening in other ways, as well as disposal thereof in a different manner.”

For the purposes of this Assessment Report, it is assumed that the property right to the assessed property completely complies with the legislation requirements. However, it is not the valuator’s province to describe in detail the legal status of the assessed property and any matters implying discussion of any legal aspects of the property right to the same.

1.1.3. Assessment Objective

The assessment objective is to determine the market value of the assessment subject in fulfillment of the requirements stipulated in the Federal Law *On Joint Stock Companies* No. 208-FZ, Art. 75, dated December 26, 1995.

1.1.4. Assessment Task, Assumed Use of Assessment Results, and Limits Connected with Such

The assessment result is the bottom-line value of the assessment subject. The obtained assessment result can be used for the Customer’s redemption of the shares at the request of the Customer’s shareholders based on the Federal Law *On Joint Stock Companies* No. 208-FZ, Art. 75, dated December 26, 1995.

Pursuant to the Russian Federal Evaluation Standard (FES) No. 1, par. 26, the bottom-line value of the assessment subject specified in the Assessment Report may be acknowledged as the value recommended for the purposes of accomplishing a transaction with the assessment subjects, provided the period from the date of the Assessment Report till the date of accomplishing the transaction with the assessment subject or the date of announcing a public offer does not exceed six months.

In the event assessment is to be obligatory made in accordance with the Russian Federation legislation, then the period from the date of the assessment till the date of the Assessment Report must not exceed three months, except otherwise provided for by the Russian Federation legislation (FES No. 1, par. 8).

Assessment Results Obtained with the Application of Different Approaches to the Assessment

In the process of this assessment, the valuers applied cost, comparative, and profit approaches to determine the market value of one (1) ordinary registered book-entry share of Mechel OAO. At that, using the cost approach in their assessment, the valuers applied asset accumulation method; using the profit approach, they used discounted cash flow method; and the comparative approach was implemented using transaction method (TM) and capital market method (CMM) based on comparison with the shares of Russian and foreign companies.

The valuers' calculations resulted in several assessment results for different approaches and methods. The figure below graphically shows the obtained results:

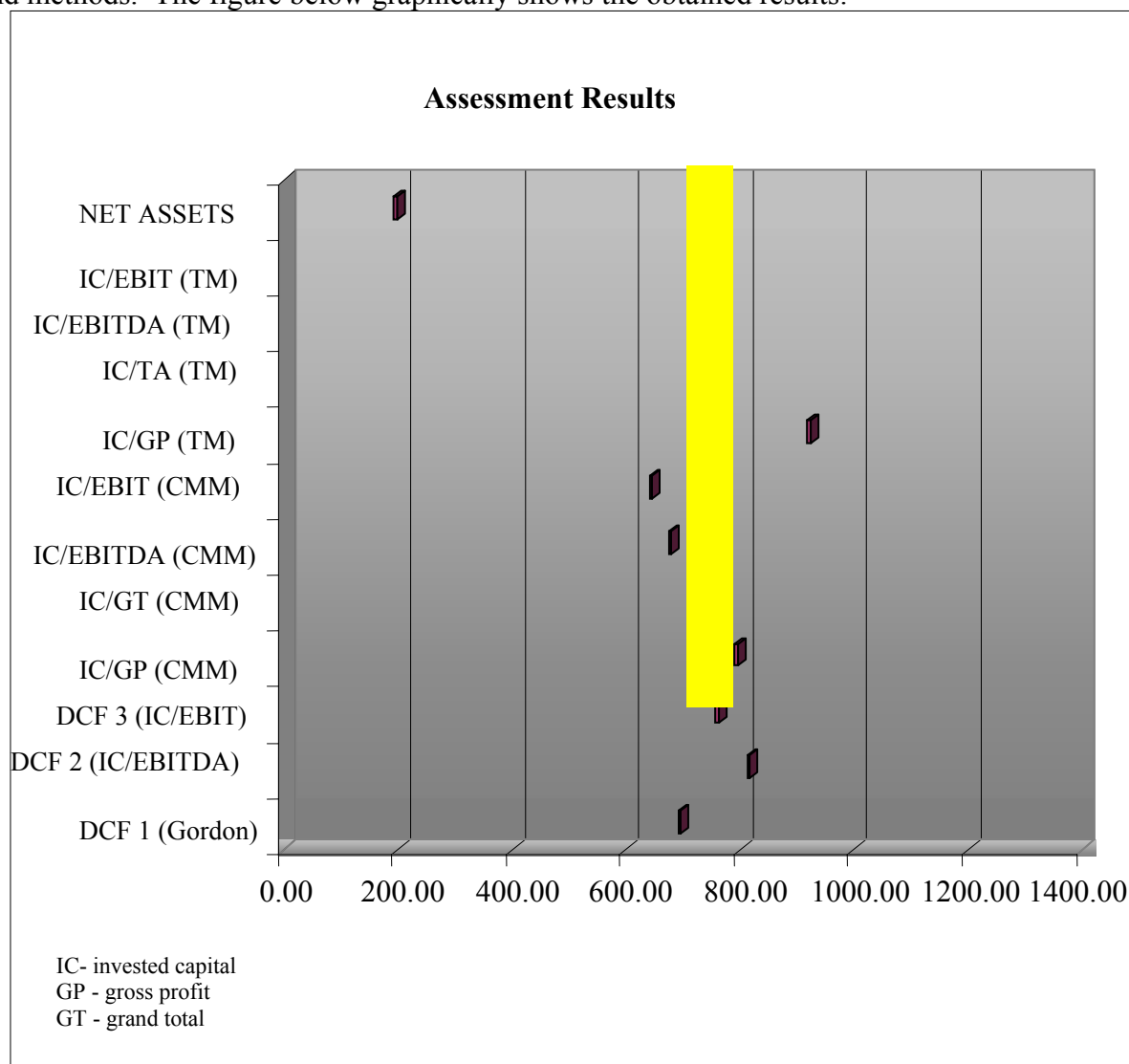


Figure 1. Results of assessment of one ordinary share of Mechel OAO, RUR/share.

In the valuers' opinion, the minimum and the maximum of Mechel OAO value range must be determined by results of two approaches, viz. comparative approach - for the value range minimum (RUR746.73 per share), and profit approach - for the value range maximum (RUR755.55 per share). The obtained range minimum and maximum allowed discarding the extreme value variation, i.e. the result obtained with the cost method.

Calculation of the methods' role and the assessment subject bottom-line value is shown in the table below.

Table 1. Calculation of the assessment subject bottom-line value

Assessment method	Approach role	Method's / result's role	Market value, RUR
DCF 1 (Gordon)	50%	20.0%	693.44
DCF 2 (IC/EBITDA)		40.0%	813.94
DCF 3 (IC/EBIT)		40.0%	759.25
CMM (IC/GP)	50%	13.3%	791.06
CMM (IC/Grand Total)		13.3%	713.51
CMM (IC/EBITDA)		20.0%	676.51
CMM (IC/EBIT)		20.0%	641.41
CMM (IC/GP)		6.7%	918.51
TM (IC/GRAND TOTAL)		6.7%	755.35
TM (IC/EBITDA)		10.0%	711.37
TM (IC/EBIT)		10.0%	766.10
Assets accumulation	0%	0.0%	193.87
Bottom-line value, rounded			745.75

The calculations made resulted in the bottom-line market value of one (1) ordinary registered book-entry share of Mechel OAO equal to **RUR746.00**, in round figures, as of January 01, 2008.

Bottom-Line Value of the Assessment Subject

The works carried out by the valuers to assess the market value of the assessment subject resulted in the following:

As of January 01, 2008, the value of the assessment subject, *i.e.* one (1) ordinary registered book-entry share of Mechel OAO, in rounded figures, is:

RUR746.00
(Russian Rubles Seven hundred forty-six).