

Mechel OAO
Form F-3ASR
April 27, 2010

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form F-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MECHEL OAO

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Russian Federation

(State or other jurisdiction of incorporation or organization)

Not Applicable

(I.R.S. Employer Identification No.)

Krasnoarmeyskaya Street 1

Moscow 125993

Russian Federation

+7 495 221 8888

(Address and telephone number of Registrant's principal executive offices)

Puglisi & Associates

850 Library Avenue, Suite 204

Newark, Delaware 19715

+1 302 738 6680

(Name, address and telephone number of agent for service)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered/Proposed Maximum Offering Price Per Share/Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Preferred shares, par value 10 rubles per share ⁽¹⁾	Indeterminate ⁽²⁾	\$ 0 ⁽²⁾

(1) The preferred shares will be represented by preferred American Depositary Shares (**preferred ADSs**). Each preferred ADS represents one-half of a preferred share. A separate Registration Statement on Form F-6 is being filed for the registration of preferred ADSs evidenced by American Depositary Receipts (**ADRs**) issuable upon deposit of the preferred shares.

(2) In accordance with Rules 456(b) and 457(r), the Registrant is deferring payment of all of the registration fee.

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement together with the accompanying prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS SUPPLEMENT DATED APRIL 26, 2010**

**PROSPECTUS SUPPLEMENT
(To Prospectus dated April 26, 2010)**

**MECHEL OAO
(incorporated under the laws of the Russian Federation)**

Preferred Shares and Preferred American Depositary Shares

The selling shareholders identified in this prospectus supplement (the **Selling Shareholders**) are offering _____ preferred shares of Mechel OAO, par value 10 rubles per share and _____ preferred American Depositary Shares (**preferred ADSs**). Each preferred ADS represents one-half of a preferred share. We will not receive any proceeds from the sale of preferred shares and preferred ADSs to be offered by the Selling Shareholders.

The preferred ADSs have been approved for listing on the New York Stock Exchange under the symbol **MTL PR** and trading of the preferred ADSs is expected to begin on _____, 2010. We have applied to the Russian Trading System for admission of the preferred shares to quotation list **V** on or prior to April 30, 2010. If so admitted, the preferred shares are expected to trade on the Russian Trading System under the symbol **MTLPR**. Prior to the offering to which this prospectus supplement relates there has been no trading or public market for either the preferred shares or the preferred ADSs.

Investing in our preferred shares and preferred ADSs involves risks. See Risk Factors beginning on page S-5 of this prospectus supplement and page 12 of our annual report on Form 20-F for the year ended December 31, 2009, which is incorporated herein by reference, to read about factors you should consider before investing in the preferred shares or preferred ADSs.

	Per Preferred ADS	Per Preferred Share	Total
Public offering price	\$	\$	\$
Underwriting discount ⁽¹⁾	\$	\$	\$
Proceeds, before expenses, to Selling Shareholders	\$	\$ (2)	\$ (2)

(1)

Does not include RUR in brokerage commissions paid by the Selling Shareholders to Renaissance Broker LLC in connection with the offering of preferred shares in the Russian Federation.

- (2) For purposes of calculating the net proceeds to the Selling Shareholders, the brokerage commissions paid to Renaissance Broker LLC have been converted using an exchange rate of \$1 / RUR .

The Selling Shareholders are offering preferred shares, including preferred shares and preferred ADSs (representing preferred shares) outside the Russian Federation through the underwriters. In addition, the Selling Shareholders are offering preferred shares in the Russian Federation pursuant to Russian brokerage services agreements. See Plan of Distribution for more information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of the American Depositary Receipts evidencing the preferred ADSs to purchasers through the book-entry facilities of The Depository Trust Company against payment is expected on or about , 2010. Delivery of the preferred shares to purchasers is expected to commence on or about , 2010.

Joint Global Coordinators and Joint Bookrunners

Morgan Stanley

Renaissance Securities (Cyprus) Limited

The date of this prospectus supplement is , 2010.

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Neither we nor the Selling Shareholders have taken any action to permit a public offering of the preferred shares outside the United States and the Russian Federation or to permit a public offering of the preferred ADSs in the Russian Federation and elsewhere outside the United States or to permit the possession or distribution of this prospectus supplement and the accompanying prospectus outside the United States in any jurisdiction where action for that purpose is required. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the preferred shares and preferred ADSs and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. We reserve the right to withdraw the offering at any time.

For information relating to transactions that stabilize the market price of the preferred ADSs in connection with the offering, see Plan of Distribution.

ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information different from that contained, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. We are offering to sell preferred shares and preferred ADSs, and seeking offers to buy preferred shares and preferred ADSs, only in jurisdictions where offers and sales are permitted. The information contained, or incorporated by reference, in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or the time of any sale of the preferred shares and preferred ADSs. Our business, financial condition, results of operations and prospects may have changed since that date. In this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, references to Mechel refer to Mechel OAO, and references to our group, we, or our refer to Mechel OAO together with its subsidiaries.

This prospectus supplement contains the terms of the offering of the preferred shares and preferred ADSs. Certain additional information about us is contained in the accompanying prospectus. This prospectus supplement, or the information incorporated by reference in this prospectus supplement or in the accompanying prospectus, may add, update or change information in the accompanying prospectus. If the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement or in the accompanying prospectus is inconsistent with the accompanying prospectus, this prospectus supplement or the information incorporated by reference in this prospectus supplement or in the accompanying prospectus, as applicable, will apply and will supersede the information in the accompanying prospectus.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents we have referred you to under Where You Can Find More Information About Us on page 2 of the accompanying prospectus.

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SUMMARY

This summary may not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, including the financial data and related notes and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making a decision to invest in the preferred shares or preferred ADSs.

Mechel OAO

We are a leading Russian mining and metals company headquartered in Moscow, Russia. We operate in four segments: mining, steel, ferroalloy and power. We produce coking and steam coal, iron ore concentrate, steel, nickel, ferrochrome, ferrosilicon, rolled products, wire products, heat and electric power. Our operations are principally in Russia, and we also have operations in Kazakhstan and Eastern Europe. In May 2009, we acquired the Bluestone coking coal business headquartered in Beckley, West Virginia. Our principal office is located at Krasnoarmeyskaya Street 1, Moscow 125993, Russian Federation and our telephone number is +7 495 221 8888.

Mechel OAO is an open joint stock company incorporated under the laws of the Russian Federation. We completed our initial public offering in the United States and internationally in October 2004 and the American Depositary Shares representing our common shares are listed on the New York Stock Exchange (the **NYSE**) under the symbol **MTL**. Our common shares are listed in Russia on the Russian Trading System (the **RTS**) and the Moscow Interbank Currency Exchange (the **MICEX**) stock exchanges under the symbol **MTLR**.

See our Annual Report on Form 20-F for the year ended December 31, 2009 (the **Annual Report**) for more information. Our internet address is *www.mechel.com*. Information posted on our website is not part of this prospectus.

The Offering

Issuer	Mechel OAO, an open joint stock company incorporated under the laws of the Russian Federation
Selling Shareholders	James C. Justice II, James C. Justice III, James C. Justice Companies Inc. and Jillean L. Justice
Securities offered	The Selling Shareholders propose to offer up to 49,952,488 preferred ADSs (representing 24,976,244 preferred shares) outside the Russian Federation through the underwriters. The Selling Shareholders also propose to offer preferred shares in the Russian Federation pursuant to Russian brokerage services agreements.
Offering price	\$ per preferred share \$ per preferred ADS
Proceeds from the offering	We will not receive any of the proceeds from the offering.
Share capital	

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Our share capital consists of 555,027,660 shares, including 416,270,745 common shares of par value 10 rubles per share, and 138,756,915 preferred shares of par value 10 rubles per share, all of which are fully paid and issued.

Voting rights

Holders of our preferred shares generally have no voting rights, except that they are entitled to vote in a limited number of circumstances specified by Russian law. For more information see [Description of Preferred Shares](#) in the accompanying prospectus.

Dividends

The annual fixed dividend for one preferred share amounts to 20% of our net profit under our annual consolidated financial statements

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prepared in accordance with U.S. GAAP divided by 138,756,915. The amount of dividends on preferred shares must be recommended by our board of director and approved by the shareholders meeting. If dividends on preferred shares are not recommended or approved, our preferred shares would obtain voting rights equivalent to the common shares until the first subsequent payment of dividends in full. For more information see Description of Preferred Shares in the accompanying prospectus.

Lock-up We, our wholly-owned subsidiary Skyblock Limited, Mr. Igor V. Zyuzin (our chief executive officer and controlling shareholder) and the Selling Shareholders have agreed to certain lock-up restrictions as described in more detail under Plan of Distribution Lock-Up.

Lock-down We received permissions from the Russian Federal Service on the Financial Markets (the FSFM) for 41,627,074 preferred shares to be placed and circulated abroad, including through depositary receipt programs. In the offering to which this prospectus supplement relates, the Selling Shareholders expect to sell preferred ADSs representing preferred shares. We will instruct the depositary not to accept any additional preferred shares in excess of this amount in order to preserve room in the preferred ADS program for future offerings. As a result, you will not be able to deposit preferred shares in the preferred ADS program in order to receive preferred ADSs unless additional room becomes available under the preferred ADS program as a result of other holders of preferred ADSs converting their preferred ADSs into preferred shares.

Listing and trading The preferred ADSs have been approved for listing on the NYSE under the symbol MTL PR and trading of the preferred ADSs is expected to begin on , 2010. We have applied to the RTS for admission of the preferred shares to quotation list V on or prior to April 30, 2010. If so admitted, the preferred shares are expected to trade on the RTS under the symbol MTLPR. Prior to this offering there has been no trading or public market for either the preferred shares or the preferred ADSs.

Security numbers Preferred shares ISIN RU000A0JPV70
Preferred ADSs CUSIP
Preferred ADSs ISIN

Settlement and delivery Delivery of the preferred ADSs is expected to be on or about , 2010. Delivery of the preferred shares is expected to commence on or about , 2010.

Purchasers of preferred ADSs must pay for the preferred ADSs in same-day funds in U.S. dollars on the closing date of the offering. The preferred shares underlying the preferred ADSs will be delivered to a custodian for Deutsche Bank Trust Company Americas, as depositary, on

or prior to the closing date, and the depositary will issue the preferred ADSs. The depositary will initially issue the preferred ADSs in the form of a single global ADR registered in the name of a nominee of the Depository Trust Company (**DTC**). Holders of preferred ADSs will hold

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beneficial interests in the preferred ADSs through DTC, and DTC and its direct and indirect participants will record such beneficial interests in their books.

Purchasers of preferred shares must pay for the preferred shares on _____, 2010 in U.S. dollars. In order to take delivery of the preferred shares, purchasers must either have a direct account with our share registrar, NIKoil Registrar OAO, or a depo account with CJSC Depository Clearing Company (**DCC**), or any other depository that has an account with DCC or a direct account with NIKoil Registrar OAO. Any purchasers who choose to hold the preferred shares through either a direct account in NIKoil Registrar OAO or through a depo account with a Russian-licensed depository other than DCC will not be able to trade preferred shares held in that way on the RTS.

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RISK FACTORS

Your investment in the preferred shares and preferred ADSs entails risks. You should carefully consider the risk factors below relating to the preferred shares and preferred ADSs and their trading markets, as well as the other information contained in this prospectus supplement and the accompanying prospectus, and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including our Annual Report, before investing in the preferred shares and preferred ADSs. In particular, you should consider the risks discussed in the Annual Report, such as risks relating to our financial condition and financial reporting, risks relating to our business and industry, and risks relating to the Russian Federation and other countries where we operate.

We and the Justice Persons may offer additional preferred shares and preferred ADSs in the future, and these and other sales may adversely affect the market price of the preferred shares and preferred ADSs.

Of the 138,756,915 preferred shares issued as of the date of this prospectus supplement, 83,254,149 preferred shares are held by James C. Justice II, James C. Justice Companies Inc., James C. Justice III and Jillean L. Justice (collectively, the **Justice Persons**) and the remaining 55,502,766 preferred shares are held by our wholly-owned subsidiary Skyblock Limited. The Justice Persons acquired their preferred shares in connection with the sale of their Bluestone coking coal business located in Beckley, West Virginia to us in May 2009. After the offering to which this prospectus supplement relates, the Justice Persons will hold preferred shares and may dispose of these preferred shares through one or more offerings or broker trades. It is also possible that we may decide to offer additional preferred shares and preferred ADSs in the future, including the 55,502,766 shares held by our wholly-owned subsidiary Skyblock Limited. Additional offerings or sales of preferred shares and preferred ADSs by us or the Justice Persons, or the public perception that such offerings or sales may occur, could have an adverse effect on the market price of our preferred shares and preferred ADSs.

There has been no prior active public trading market for the preferred shares and preferred ADSs, the offering may not result in an active or liquid trading market for the preferred shares and preferred ADSs, and the price of the preferred shares and preferred ADSs may be highly volatile.

Although we have applied for admission of the preferred shares to trading on the RTS there can be no assurance that the preferred shares will be admitted for trading on the RTS and there has been no trading prior to the offering to which this prospectus supplement relates. Similarly, while the preferred ADSs have been approved for listing on the NYSE, there has been no public market for the preferred ADSs prior to this offering. We cannot assure you that an active, liquid trading market will develop or be sustained after the offering. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If a liquid trading market for the preferred shares and preferred ADSs does not develop, the trading price of the preferred shares and preferred ADSs may be more volatile and it may be difficult to complete a buy or sell order for the preferred shares and preferred ADSs.

The price of preferred shares and preferred ADSs could be volatile and could drop unexpectedly, making it difficult for investors to resell our preferred shares or preferred ADSs at or above the price paid.

The price at which our preferred shares and preferred ADSs trade will be influenced by a large number of factors, some of which will be specific to us and our operations and some of which will be related to the mining, steel and ferroalloy industries and equity markets in general. As a result of these factors, investors may not be able to resell their preferred shares or preferred ADSs at or above the price paid for them. In particular, the following factors, in addition to other risk factors described in this section, may have a material impact on the market price of our preferred

shares and preferred ADSs:

Investor perception of us as a company;

Actual or anticipated fluctuations in our revenues or operating results;

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Announcement of intended acquisitions, disposals or financings, or speculation about such acquisitions, disposals or financings;

Changes in our dividend policy, which could result from changes in our cash flow and capital position;

Sales of blocks of our common shares, the American Depositary Shares representing our common shares or our preferred shares by significant shareholders, including the Justice Persons;

Price and timing of any refinancing of our indebtedness;

Potential litigation involving us;

Changes in financial estimates and recommendations by securities research analysts;

Fluctuations in Russian and international capital markets, including those due to events in other emerging markets;

The performance of other companies operating in similar industries;

Regulatory developments in the markets where we operate, especially Russia and the United States;

International political and economic conditions, including the effects of fluctuations in foreign exchange rates, interest rates and oil prices and other events such as terrorist attacks, military operations and natural disasters and the uncertainty related to these developments;

News or analyst reports related to markets or industries in which we operate; and

General investor perception of investing in Russia.

Following the offering to which this prospectus supplement relates, a holder of preferred shares will not be able to deposit preferred shares in the preferred ADS program in order to receive preferred ADSs and the depositary may be required to take certain actions due to Russian law requirements which could adversely impact the liquidity and value of the preferred shares and preferred ADSs.

We received permissions from the FSFM for 41,627,074 preferred shares to be placed and circulated abroad, including through depositary receipt programs, which represents approximately 30% of the total number of issued preferred shares and which was the maximum volume allowed under the regulations in effect at that time. In the offering to which this prospectus supplement relates, the Selling Shareholders expect to sell preferred ADSs representing preferred shares. Moreover, we will instruct the depositary not to accept any additional preferred shares in excess of this amount in order to preserve room in the preferred ADS program for future offerings. As a result, you will not be able to deposit preferred shares in the ADS program in order to receive preferred ADSs unless additional room becomes available under the preferred ADS program as a result of other holders of preferred ADSs converting their preferred ADSs into preferred shares.

Moreover, if at any time the depositary believes that the preferred shares deposited with it against issuance of preferred ADSs represent (or, upon accepting any additional preferred shares for deposit, would represent) a percentage of preferred shares which exceeds any threshold or limit established by any applicable law, directive, regulation or permit, or satisfies any condition for making any filing, application, notification or registration or

obtaining any approval, license or permit under any applicable law, directive or regulation, or taking any other action, the depositary may (1) close its books to deposits of additional shares in order to prevent such thresholds or limits being exceeded or conditions being satisfied or (2) take such steps as are, in its opinion, necessary or desirable to remedy the consequences of such thresholds or limits being exceeded or conditions being satisfied and to comply with any such law, directive or regulation, including, causing *pro rata* cancellation of preferred ADSs and withdrawal of underlying preferred shares from the depositary receipt program to the extent necessary or desirable to so comply.

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In addition, given that the depositary is already the record owner of approximately 35% of our common shares under our other depositary receipts programs, if the preferred shares become entitled to the same voting rights as the common shares, then the following requirements may become applicable to the depositary:

Under Russian corporate law, a person that has acquired more than 30%, 50% or 75% of the common shares and voting preferred shares of an open stock company such as Mechel (including, for such purposes, the shares already owned by such person and its affiliates) will, except in certain limited circumstances, be required to make, within 35 days of acquiring such shares, a public tender offer for all other shares of the same class and for securities convertible into such shares (mandatory offer). From the moment of the relevant acquisition until the date the offer is sent to the company, the person making the offer and its affiliates will be able to register for quorum purposes and vote only 30% (or 50% or 75%, as the case may be) of the company's common shares and voting preferred shares (regardless of the size of their actual holdings). See Item 10. Charter and Certain Requirements of Russian Legislation Change in Control Anti-takeover protection in the Annual Report. Under Russian law, the depositary may be considered the owner of the preferred shares underlying the preferred ADSs, and as such may be subject to the mandatory public tender offer rules. See As the depositary may be considered the owner of the preferred shares underlying the preferred ADSs, these preferred shares may be arrested or seized in legal proceedings in Russia against the depositary.

Under Russian antimonopoly legislation, certain transactions resulting in a shareholder (or a group of persons, as defined by Russian law) holding directly more than 25%, 50% or 75% of the voting capital stock of a company (such as Mechel) or the right to control the company indirectly must be approved in advance by the Russian Federal Antimonopoly Service (the FAS). See Item 10. Charter and Certain Requirements of Russian Legislation Change in Control Approval of the Russian Federal Antimonopoly Service in the Annual Report. The depositary thus may need such prior approval in the future. The depositary has received general interpretive guidance from the FAS that it need not obtain the approval referred to above in connection with depositary receipt programs such as the preferred ADS program. If, however, the FAS were to rescind or disregard its above mentioned interpretation, the preferred ADS program would be subject to a de facto limit of 24.99% of Mechel's outstanding voting shares, unless the depositary could obtain FAS approval for a higher percentage.

Under the Federal Law of the Russian Federation On the Procedure for Foreign Investment in Companies With Strategic Impact on the National Defense and Security of the Russian Federation (the **Strategic Industries Law**) dated April 29, 2008, the acquisition by a foreign investor, or a group of entities which includes a foreign investor, of (1) 50% or more of the voting capital stock of a company which is considered to be a strategic enterprise as defined by the Strategic Industries Law (a **Strategic Company**) or (2) 10% or more of the voting capital stock of a Strategic Company which is engaged in the geological study, exploration or production of natural resources on plots that are deemed by the Russian government to be subsoil plots of federal importance (a **Strategic Subsoil Company**), must be previously approved by the governmental commission. Some of our subsidiaries are considered Strategic Companies or Strategic Subsoil Companies. See Item 3. Key Information Risk Factors Legal Risks and Uncertainties Expansion of limitations on foreign investment in strategic sectors could affect our ability to attract and/or retain foreign investments in our Annual Report. If, pursuant to our charter and Russian legislation, the preferred shares become voting and the total number of our voting common and preferred shares held by the depositary (together with any entities within its group) reaches the thresholds described above, the depositary may be required to obtain approval of the governmental commission. The depositary has received general interpretive guidance from FAS, which is competent to issue such guidance, that it does not need to obtain the approval referred to above in connection with depositary receipt programs such as the preferred ADS program. If, however, FAS were to rescind or disregard its above mentioned interpretation, and if the preferred shares were to become voting, the preferred ADS program would be subject to a de facto limit on the number of preferred shares, unless the depositary could obtain FAS approval for a

higher percentage. Such limit would be determined on the basis of the number of both our common and preferred shares held by the

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depository. See Item 4. Information on the Company Regulatory Matters The Strategic Industry Law in our Annual Report.

An inability to deposit preferred shares into the preferred ADS program in exchange for preferred ADSs due to the aforementioned limits or other similar regulations or circumstances may affect the liquidity and the value of your investment in the preferred shares and preferred ADSs.

The preferred shares may be de-listed from the RTS, the FSFM permission for the preferred ADS program may be revoked, and the preferred ADS program may have to be terminated.

If the preferred shares are admitted to quotation list V on the RTS, maintenance of our V listing on the RTS and, upon expiration of the six-month term of the V listing, either the A or B listing, will require us to meet relevant listing requirements, including compliance with securities laws and regulations of the FSFM and with certain corporate governance requirements as well as minimum trading volumes. A failure to comply with these listing requirements may constitute grounds for de-listing a company such as ours, either by express de-listing or denial of transition to the A or B listing upon expiration of the V listing term.

Furthermore, under Russian securities law and the regulations of the FSFM, it is not clear whether an preferred ADS permit may be revoked if a Russian issuer ceases to have its shares listed on a Russian stock exchange. In case our preferred ADS permits are revoked, this may result in the termination of the preferred ADS program and would have a material adverse effect on the value of the preferred shares and preferred ADSs and the ability of holders of preferred shares to deposit them into the preferred ADS program.

Our ability to pay dividends depends primarily upon receipt of sufficient funds from our subsidiaries.

Because we are a holding company, our ability to pay dividends depends primarily upon receipt of sufficient funds from our subsidiaries. Furthermore, the payment of dividends by our subsidiaries and/or our ability to repatriate such dividends may, in certain instances, be subject to taxes, statutory restrictions, retained earnings criteria, and covenants in our subsidiaries financing arrangements and are contingent upon the earnings and cash flow of those subsidiaries. See note 20 to our consolidated financial statements.

As the depository may be considered the owner of the preferred shares underlying the preferred ADSs, these shares may be arrested or seized in legal proceedings in Russia against the depository.

Because a court interpreting Russian law may not recognize preferred ADS holders as owners of the underlying preferred shares, it is possible that holders of preferred ADSs could lose all of their rights to those shares if the assets of the depository in Russia are seized or arrested. In that case, holders of preferred ADSs would lose their entire investment.

A court interpreting Russian law may treat the depository as the owner of the preferred shares underlying the preferred ADSs. This is different from the way other jurisdictions treat preferred ADSs. In the United States, although shares may be held in the depository's name or to its order, making the depository a legal owner of the shares, the preferred ADS holders are the beneficial, or real, owners. In U.S. courts, an action against the depository unrelated to its capacity as depository under the preferred ADS program would not result in the beneficial owners losing their rights with regard to the underlying shares. Russian law does not make the same distinction between legal and beneficial ownership, and it may only recognize the rights of the depository in whose name the underlying shares are held (i.e. the depository), but not the rights of preferred ADS holders to the underlying shares. Thus, in proceedings brought against a depository, whether or not related to preferred shares underlying preferred ADSs, Russian courts may treat those underlying shares as the assets of the depository, open to seizure or arrest.

Voting rights with respect to the preferred shares represented by the preferred ADSs are limited by the terms of the deposit agreement for the preferred ADSs and relevant requirements of Russian law.

Even in the limited circumstances under which holders of our preferred shares have voting rights, preferred ADS holders have no direct voting rights with respect to the preferred shares represented by the

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preferred ADSs. They can only exercise voting rights with respect to the preferred shares represented by preferred ADSs in accordance with the provisions of the deposit agreement relating to the preferred ADSs and relevant requirements of Russian law. Therefore, if voting rights become applicable to holders of our preferred shares, there are practical limitations upon the ability of preferred ADS holders to exercise their voting rights due to the additional procedural steps which are involved. For example, the Federal Law of the Russian Federation No 208-72 On Joint Stock Companies (the **Joint-Stock Companies Law**) and our charter require us to notify shareholders not less than 30 days prior to the date of any meeting of shareholders and at least 70 days prior to the date of an extraordinary meeting to elect our board of directors via publication of a notice in the Russian official newspaper *Rossiyskaya Gazeta*. Our shareholders will be able to exercise their voting rights by either attending the meeting in person or voting by power of attorney.

Preferred ADS holders, by comparison, will not receive notice directly from us. Rather, in accordance with the deposit agreement, we will provide the notice to the depository. The depository has in turn undertaken, as soon as practicable thereafter, to mail to preferred ADS holders notice of any meetings of shareholders, copies of voting materials (if and as received by the depository from us) and a statement as to the manner in which instructions may be given by preferred ADS holders. To exercise their voting rights, preferred ADS holders must then timely instruct the depository how to vote their shares. As a result of this extra procedural step involving the depository, the process for exercising voting rights may take longer for preferred ADS holders than for holders of preferred shares. Preferred ADSs for which the depository does not receive timely voting instructions will not be voted at any meeting.

In addition, although securities regulations expressly permit the depository to split the votes with respect to the shares underlying the preferred ADSs in accordance with instructions from individual preferred ADS holders, there is little court or regulatory guidance on the application of such regulations, and the depository may choose to refrain from voting at all unless it receives instructions from all preferred ADS holders to vote the shares in the same manner. Holders of preferred ADSs may thus have significant difficulty in exercising voting rights with respect to the shares underlying the preferred ADSs.

Thus, there can be no assurance that holders and beneficial owners of preferred ADSs will (1) receive notice of shareholder meetings to enable the timely return of voting instructions to the depository, (2) receive notice to enable the timely cancellation of preferred ADSs in respect of shareholder actions or (3) be given the benefit of dissenting or minority shareholders' rights in respect of an event or action in which the holder or beneficial owner has voted against, abstained from voting or not given voting instructions.

Preferred ADS holders may be unable to repatriate their earnings.

Dividends that we may pay in the future on the preferred shares represented by the preferred ADSs are calculated in Russian rubles and may be declared and paid to the depository in rubles. Such dividends will be converted into U.S. dollars by the depository and distributed to holders of preferred ADSs, net of the fees and charges of, and expenses incurred by, the depository, together with taxes withheld and any other governmental charges. The ability to convert rubles into U.S. dollars is subject to the currency markets. Although there is an active market for the conversion of rubles into U.S. dollars, including the interbank currency exchange and over-the-counter and currency futures markets, the functioning of this market in the future is not guaranteed.

Preferred ADS holders may not be able to benefit from the United States-Russia income tax treaty.

Under Russian law, dividends paid to a non-resident holder of the shares generally will be subject to Russian withholding tax at a rate of 15%. This tax may potentially be reduced to 5% or 10% for U.S. holders of the shares that are legal entities and organizations and to 10% for U.S. holders of the shares that are individuals under the Convention between the United States of America and the Russian Federation for the Avoidance of Double Taxation and the

Prevention of Fiscal Evasion with respect to Taxes on Income and Capital (the United States-Russia income tax treaty), provided a number of conditions are satisfied. However, the Russian tax rules on the application of double tax treaty benefits to individuals are unclear and there is no certainty that advance clearance would be possible. The Russian tax rules applicable to preferred ADS holders are characterized by significant uncertainties. In a number of clarifications, the Ministry of

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Finance of the Russian Federation expressed a view that preferred ADS holders (rather than the depositary) should be treated as the beneficial owners of the underlying shares for the purposes of the double tax treaty provisions applicable to taxation of dividend income from the underlying shares, provided that the tax residencies of the preferred ADS holders are duly confirmed. However, in the absence of any specific provisions in the Russian tax legislation with respect to the concept of beneficial ownership and the taxation of income of beneficial owners, it is unclear how the Russian tax authorities and courts will ultimately treat the preferred ADS holders in this regard. Thus, we may be obliged to withhold tax at standard non-treaty rates when paying out dividends and U.S. preferred ADS holders may be unable to benefit from the United States-Russia income tax treaty. See Taxation Russian Income and Withholding Tax Considerations in our Annual Report for additional information.

Capital gains from the sale of preferred ADSs may be subject to Russian income tax.

Under Russian tax legislation, gains realized by non-resident legal entities or organizations from the disposition of Russian shares and securities, as well as financial instruments derived from such shares, such as the preferred ADSs, may be subject to Russian profits tax or withholding income tax if immovable property located in Russia constitutes more than 50% of Mechel's assets. However, no procedural mechanism currently exists to withhold and remit this tax with respect to sales made to persons other than Russian companies and foreign companies with a registered permanent establishment in Russia. Gains arising from the disposition on foreign stock exchanges of the foregoing types of securities listed on these exchanges are not subject to taxation in Russia.

Gains arising from the disposition of the foregoing types of securities and derivatives outside of Russia by U.S. holders who are individuals not resident in Russia for tax purposes will not be considered Russian source income and will not be taxable in Russia. Gains arising from disposition of the foregoing types of securities and derivatives in Russia by U.S. holders who are individuals not resident in Russia for tax purposes may be subject to tax either at the source in Russia or based on an annual tax return, which they may be required to submit with the Russian tax authorities.

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USE OF PROCEEDS

All preferred shares and preferred ADSs offered by this prospectus supplement will be sold by the Selling Shareholders. See Ownership of the Preferred Shares and Selling Shareholders and Plan of Distribution. We will not receive any proceeds from the sale of the preferred shares and preferred ADSs.

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INDUSTRY OVERVIEW

Unless otherwise stated, this section is based on data from a research report on the steel and coal industries prepared for us by AME Consulting (AME). AME is an independent, international consulting firm providing focused advice and solutions on the mining and mineral industries.

We are a vertically integrated group with operations organized in four industrial segments: mining, steel, ferroalloys and power. Our mining segment produces coking and steam coal, as well as iron ore and iron ore concentrate. Our steel segment produces and sells semi-finished steel products, carbon and specialty long products, carbon and stainless flat products and value-added downstream metal products including wire products, stampings and forgings. Our ferroalloys segment produces and sells low-ferrous ferronickel, ferrochrome and ferrosilicon and our power segment generates and sells electricity to internal and external customers. As most of our mining and ferroalloy, products, with the exception of steam coal and electricity, are primarily used in steel production their performance is closely linked to the performance of the global steel industry.

Steel Industry

The steel industry is highly cyclical in nature because the industries in which steel customers operate are cyclical and sensitive to changes in general economic conditions. The demand for steel products thus generally correlates to macroeconomic fluctuations in the economies in which we sell our products, as well as in the global economy. According to AME, global steel demand declined to approximately 1.09 billion tonnes in 2009 or 9.2% year on year as a result of the global financial crisis and sharp economic slowdown that began in late 2008 and impacted most of 2009. According to AME, global steel demand is expected to increase by approximately 5% in 2010 and 2011 driven by the implementation of various government stimulus packages and a gradual recovery of the global economy. Crude steel production displayed a similar dynamic, with global crude steel demand declining to an estimated 1.2 billion tonnes in 2009 from 1.3 billion tonnes in 2008, a decline of approximately 8%. However, with the recovery in steel demand, global steel production is expected to grow effectively reaching pre-crisis levels according to AME. The table below sets out the dynamics of global crude steel production:

Table 1: Estimated World Crude Steel Production (Mt)

Source: AME, World Steel Association. Regarding 2009's total, consolidated full-year 2009 crude steel production data has not yet been officially released by the World Steel Association. In this instance, AME has assumed 2009 production to equal the sum of monthly crude steel production volumes, as reported by the World Steel Association throughout the year. Crude steel production forecasts for 2010 are equivalent to an annualized figure, based on production in the two months of 2010 as reported by the World Steel Association.

According to AME, steel prices in the near future will be characterized by significant volatility as steel producers increase output to meet recovering steel demand with the key risks being (i) that growth in supply may significantly exceed growth in demand effectively limiting significant price increases, (ii) that steel producers may attempt to raise prices too high too quickly, potentially limiting demand recovery and (iii) that demand fundamentals in the developed world are still weak.

The vast majority of our steel products are sold in three regions: Russia, Europe and the Middle East. We believe that the Middle East and Russia present particularly attractive markets. According to AME, demand for finished steel in the Middle East grew by a CAGR of 8.8% from 33.5 million tonnes in 2005 to 43.1 million tonnes in 2008 and in

Russia grew by a CAGR of 6.5% from 29.3 million tonnes to 35.4 million tonnes. The Russian steel market also has significant potential for further growth based on relatively low per

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capita finished steel demand compared to other emerging and established markets. According to AME, Russian per capita steel demand was 249.6 kg per person compared to 597.2 kg in Japan, 368.9 kg in the EU, 315.6 kg in the US and 318.5 kg in China in 2008.

During the period under review, steel prices were extremely volatile due to the changing market conditions. The export price of rebar increased to a high of \$933 per tonne (Turkey market) in 2008, and fell to a low of \$469 per tonne in 2009. The export price of cold rolled coil in 2008 reached a high of \$1,037 per tonne (FOB Black Sea) in 2008, and fell to a low of \$532 per tonne in 2009, according to AME. The prices for steel products were gradually increasing during 2009 through the first quarter of 2010, driven by demand stabilization and increases in production costs, and reached \$533 per tonne for rebar in the export (Turkey market) and \$560 per tonne for cold rolled coil (Russia export market) in 2010, according to AME.

Table 2: Historical and Forecast Steel Prices (US\$/t FOB)

Source: AME, Bloomberg, Tex, Steel Business Briefing, Metal Bulletin, Platts. 2010 estimates are based on the average of year-to-date prices.

Coal

Growing steel production is closely linked to coking coal demand. As a result of the high cost of transportation relative to coal prices, the majority of coal produced is consumed regionally, with a lower share of total coal production traded on the seaborne market. According to AME estimates, in 2009, the global demand for internationally traded coking coal was estimated at approximately 214 million tonnes, which represented a 10.7% decline from 240.6 million tonnes in 2008. The decline in coal demand was driven by a slowdown in steel production as described above. However, anticipated recovery in steel production is expected to also result in growing demand for internationally traded coking coal. The table below presents historical demand for internationally traded coking coal based on AME data.

Table 3: Estimated Internationally Traded Metallurgical Coal Demand (Mt)

Source: AME, IAE, Government Statistical Agencies. AME's estimate of global metallurgical coal imports is calculated as the aggregation of metallurgical coal imports on a country-level basis. This includes seaborne and non-seaborne trade. Regarding 2009's total, metallurgical coal import data for all countries has not yet been released. Where official data is not available, AME has estimated full-year 2009 data based on all available year-to-date currently released.

The growth in demand for internationally traded metallurgical coal is further supported by China, which became a significant net importer of coking coal in 2009. In particular, Chinese net imports of metallurgical coal increased from 2.9 million tonnes in 2008 to an estimated 33.2 million tonnes in 2009 with further growth expected in 2010 and 2011 according to AME.

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On the supply side, metallurgical coal exports, particularly for high-quality hard coking coal, were negatively impacted by adverse weather conditions in Australia, which temporarily disrupted coal production in Queensland, and the market is currently adjusting for the growth in demand and China's increasing import volumes. The expected scarcity of hard coking coal will likely increase the premium for hard coking coal as compared to other coking coal types, and may potentially benefit demand for other types of metallurgical coal such as semi-soft coking coal and LV PCI, as a greater proportion of softer coals are used in coke blends.

Coal suppliers have responded to the expected shortage by attempting to accelerate plans for numerous brownfield expansions and new projects in Australia, Canada, the United States, Russia and Mozambique. The stronger demand and pricing also prompted various restarts of idled or closed mines which are expected to come into full production over the next three years. However, based on AME's view, growth in export supply will be constrained by the combination of the limited availability of rail and port infrastructure to support increases in production capacity, particularly in Australia, in the short to medium term, and by the availability of capital funding driven by the lack of appetite for high-cost capital investments in the post financial crisis period.

An important factor affecting coking coal prices and availability