Mechel OAO
Form 424B4
April 20, 2011

Table of Contents

CALCULATION OF REGISTRATION FEE

Class of Securities Offered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Preferred shares, par value 10 rubles per share	32,000,000	$16.50	$528,000,000	$61,300.80

(1) The registration fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933.

PROSPECTUS SUPPLEMENT **Filed Pursuant to Rule 424(b)(4)**
(To Prospectus dated April 26, 2010) **File No. 333-166309**

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

32,000,000 Preferred Shares

The selling shareholders identified in this prospectus supplement (the **Selling Shareholders**) are selling 32,000,000 preferred shares of Mechel OAO, par value 10 rubles per share. We will not receive any proceeds from the sale of preferred shares by the Selling Shareholders.

The preferred shares were admitted to trading (without listing) on the Russian Trading System (the **RTS**) and on the Moscow Interbank Currency Exchange (the **MICEX**), and trading is expected to commence on April 21, 2011 under the symbol MTLRP. Prior to the offering to which this prospectus supplement relates there has been no trading or public market for the preferred shares. Our preferred American Depositary Shares (**preferred ADSs**) are listed on the New York Stock Exchange (the **NYSE**) under the symbol MTL PR . However, investors who purchase preferred shares in the offering to which this prospectus supplement relates will not be able to deposit those preferred shares in the preferred ADS program in order to receive preferred ADSs unless and until other holders of preferred ADSs convert their preferred ADSs into preferred shares or we otherwise authorize additional deposits of preferred shares against the issuance of preferred ADSs. On April 19, 2011, the reported last trading price of our preferred ADSs on the NYSE was $9.92. Each preferred ADS represents an interest in one-half of one preferred share. In connection with the offering to which this prospectus supplement relates OJSC Coalmetbank (**Coalmetbank**) has marketed the preferred shares to the general public in the Russian Federation, but Coalmetbank did not underwrite any of the preferred shares sold in the offering to which this prospectus supplement relates.

Investing in our preferred shares involves risks. See Risk Factors beginning on page S-4 of this prospectus supplement and page 10 of our annual report on Form 20-F for the year ended December 31, 2010 (the Annual Report), which is incorporated herein by reference, to read about factors you should consider before investing in the preferred shares.

	Per Preferred Share	Total
Public offering price	$ 16.50	$ 528,000,000
Underwriting discount	$ 0.48675	$ 15,576,000
Proceeds, before expenses, to Selling Shareholders	$ 16.01325	$ 512,424,000

Neither the Securities and Exchange Commission (the SEC) 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 preferred shares to purchasers is expected to commence on or about April 21, 2011.

Joint Global Coordinators

Morgan Stanley **Renaissance Capital**

Joint Bookrunners

Morgan Stanley **Renaissance Capital** **VTB Capital**

The date of this prospectus supplement is April 20, 2011.

TABLE OF CONTENTS

	Page
Prospectus Supplement	
About This Prospectus Supplement	S-1
Summary	S-2
Risk Factors	S-4
Use of Proceeds	S-7
Where You Can Find More Information About Us	S-7
Incorporation of Certain Information We File with the SEC	S-7
Industry Overview	S-9
Ratios of Earnings to Combined Fixed Charges and Preference Dividends	S-14
Capitalization	S-15
Ownership of Preferred Shares and Selling Shareholders	S-16
Price Range of Preferred American Depositary Shares	S-17
Taxation in the Russian Federation	S-18
Taxation in the United States	S-18
Underwriting	S-19
Legal Matters	S-24
Experts	S-24
Prospectus	
Cautionary Note Regarding Forward-Looking Statements	1
About this Prospectus	2
Mechel OAO	2
Where You Can Find More Information About Us	2
Incorporation of Certain Information We File With the SEC	2
Enforcement of Civil Liabilities	4
Use of Proceeds	5
Ownership of Preferred Shares and Selling Shareholders	6
Description of Preferred Shares	7
Description of Preferred American Depositary Shares	10
Taxation in the United States	29
Plan of Distribution	32
Legal Matters	33
Experts	33

Table of Contents

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 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 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.

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 seeking offers to buy preferred shares, 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. 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, us or our refer to Mechel OAO together with its subsidiarie

This prospectus supplement contains the terms of the offering of the preferred shares. 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.

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.

Mechel OAO

We are a leading Russian mining and metals company headquartered in Moscow, Russia. We operate in four segments: mining, steel, ferroalloys and power. We produce coal, iron ore, steel, nickel, ferrochrome, ferrosilicon, coke, electricity and heat energy. Our operations are principally in Russia, and we also have operations in Kazakhstan, Lithuania, Romania, Bulgaria and the United States. 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 NYSE under the symbol MTL. Our common shares are listed in Russia on the RTS and the MICEX stock exchanges under the symbol MTLR. Our preferred ADSs are listed on the NYSE under the symbol MTL PR. However, investors who purchase preferred shares in the offering to which this prospectus supplement relates will not be able to deposit those preferred shares in the preferred ADS program in order to receive preferred ADSs unless and until other holders of preferred ADSs convert their preferred ADSs into preferred shares or we otherwise authorize additional deposits of preferred shares against the issuance of preferred ADSs. Prior to the offering to which this prospectus supplement relates there has been no trading or public market for the preferred shares other than in the form of preferred ADSs.

See our 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 are selling 32,000,000 preferred shares through the underwriters.
Offering price	$16.50 per preferred share
Proceeds from the offering	We will not receive any of the proceeds from the offering.
Share capital	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, issued and outstanding.
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; Record date	The annual fixed dividend for one preferred share amounts to 20% of our net profit under our annual consolidated financial statements 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 directors 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. Our board of directors has set April 20, 2011 as the record date as of which we will be identifying the holders of the preferred shares who are entitled to receive any dividends that we may declare and pay based on our results for the year ended December 31, 2010, if approved by our annual meeting of shareholders. The Selling Shareholders, acting severally and not jointly, have agreed with the underwriters to transfer any such dividends we pay to them with regard to any preferred shares sold in the offering to which this prospectus supplement relates to the underwriters. The underwriters, in turn, have agreed to transfer any such dividends, as soon as practical after receipt from the Selling Shareholders, to the initial purchasers of such preferred shares in the offering to which this prospectus supplement relates.
Lock-up	We, our wholly-owned subsidiary Skyblock Limited, Igor Zyuzin (our chairman and controlling shareholder) and the Selling Shareholders have agreed to certain lock-up restrictions as described in more detail under Underwriting Lock-Up.
Lock-down of ADS program	In previous offerings, the Selling Shareholders have sold preferred ADSs representing 25,209,577 preferred shares. As the portion of our preferred shares that may be held in the form of preferred ADSs is limited by Russian law, we have instructed the depositary for the preferred ADSs not to accept any additional preferred shares in excess of this amount in order to preserve capacity under 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 and until additional capacity becomes available under the preferred ADS program because other holders of preferred ADSs convert their preferred ADSs into preferred shares or because we otherwise instruct the depositary to accept such deposits.
Admission to trading	The preferred shares were admitted to trading (without listing) on the RTS and the MICEX, and trading is expected to commence on April 21, 2011 under the symbol MTLRP. Prior to the offering to which this prospectus supplement relates there has been no trading or public market for the preferred shares other than in the form of preferred ADSs.
Security number	Preferred shares ISIN RU000A0JPV70
Settlement and delivery	Delivery of the preferred shares is expected to commence on or about April 21, 2011. Purchasers of preferred shares must pay for the preferred shares in U.S. dollars promptly after delivery of the preferred shares by the underwriters.

In order to take delivery of the preferred shares, purchasers must either have a direct account with our share registrar, Registrar NIKoil Company (JSC), or a deposit account with CJSC Depositary Clearing Company (**DCC**) or any other depositary. The timing for the delivery of the preferred shares to the purchasers accounts will in each case depend on which account will be used for the delivery.

Table of Contents

RISK FACTORS

Your investment in the preferred shares entails risks. You should carefully consider the risk factors below relating to the preferred shares, 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. In particular, you should consider the risks discussed under Risk Factors beginning on page 11 of 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 or preferred ADSs in the future, and these and other sales may adversely affect the market price of the preferred shares.

Of the 138,756,915 preferred shares issued as of the date of this prospectus supplement, 58,044,572 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 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 26,044,572 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 or 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 or 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, the offering may not result in an active or liquid trading market for the preferred shares, and the price of the preferred shares may be highly volatile.

There has been no active public trading market for the preferred shares prior to the offering to which this prospectus supplement relates. Although the preferred shares were admitted to trading (without listing) on the RTS and the MICEX and trading is expected to commence on April 21, 2011, 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 does not develop, the trading price of the preferred shares may be more volatile and it may be difficult to complete a buy or sell order for the preferred shares.

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

The price at which our preferred shares 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 ferroalloys industries and equity markets in general. As a result of these factors, investors may not be able to resell their preferred shares 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:

- Investor perception of us as a company;

Actual or anticipated fluctuations in our revenues or operating results;

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 or preferred ADSs 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.

We received permissions from the Russian Federal Service on Financial Markets (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 previous offerings, the Selling Shareholders have sold preferred ADSs representing 25,209,577 preferred shares and we have instructed the depositary not to accept any additional preferred shares in excess of this amount in order to preserve capacity under 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 and until additional capacity becomes available under the preferred ADS program because other holders of preferred ADSs convert their preferred ADSs into preferred shares or because we otherwise instruct the depository to accept such deposits.

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 18 to our consolidated financial statements under Item 18. Financial Statements in the Annual Report.

You may be unable to repatriate dividends paid on your preferred shares.

Dividends that we may pay in the future on the preferred shares are calculated in Russian rubles and will be declared and paid in rubles to holders of preferred shares, net of any taxes withheld and any other governmental charges. Your ability to convert rubles into U.S. dollars or any other foreign currency is subject to the currency markets. Although there is an active market for the conversion of rubles into U.S. dollars and certain other foreign currencies, including the interbank currency exchange and over-the-counter and currency futures markets, the functioning of this market in the future is not guaranteed.

You 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, taking into account that the Russian tax rules on the application of double tax treaty benefits are unclear and there is no certainty that clearance would be possible, we may be obliged to withhold tax at standard non-treaty rates when paying out dividends and U.S. holders of the preferred shares 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.

Table of Contents

Capital gains from the sale of preferred shares 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 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 foreign 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 foreign holders who are individuals not resident in Russia for tax purposes may be subject to tax either at the source in Russia or in case of non-deduction of tax by a tax agent based on an annual tax return, which they may be required to submit with the Russian tax authorities.

Table of Contents

USE OF PROCEEDS

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

WHERE YOU CAN FIND MORE INFORMATION ABOUT US

We file annual reports with and furnish other information to the SEC. You may read and copy any document that we have filed with or furnished to the SEC at the SEC s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Our SEC filings are also available to the public through the SEC s web site at *www.sec.gov*. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room in Washington, D.C. and in other locations.

We have filed with the SEC a registration statement on Form F-3 relating to the securities covered by this prospectus supplement. This prospectus supplement and the accompanying prospectus are a part of the registration statement and do not contain all of the information in the registration statement. Whenever a reference is made in this prospectus supplement or the accompanying prospectus to a contract or other document of ours, please be aware that the reference is only a summary. You may review a copy of the registration statement at the SEC s public reference room in Washington, D.C., as well as through the SEC s web site.

INCORPORATION OF CERTAIN INFORMATION WE FILE WITH THE SEC

As permitted by the SEC, this prospectus supplement and the accompanying prospectus do not contain all the information you can find in our registration statement or the exhibits to the registration statement. The SEC allows us to incorporate by reference information into this prospectus supplement, which means that:

- incorporated documents are considered part of this prospectus supplement;
- we can disclose important information to you by referring you to those documents;
- information that we file with the SEC after the date of this prospectus supplement that is incorporated by reference in this prospectus supplement automatically updates and supersedes this prospectus supplement; and
- information that is more recent that is included in this prospectus supplement automatically updates and supersedes information in documents incorporated by reference with a date earlier than this prospectus supplement.

We incorporate by reference into this prospectus supplement and the accompanying prospectus our documents listed below.

- Annual Report on Form 20-F for the year ended December 31, 2010;
- Report on Form 6-K furnished to the SEC on April 12, 2011 (Mechel Announces Q1 2011 Operational Results);

the description of the preferred shares that is contained in our registration statement on Form 8-A filed with the SEC on May 7, 2010, including any amendments or reports filed for the purpose of updating such description; and

each of the following documents that we file with or furnish to the SEC after the date of this prospectus supplement from now until we terminate the offering of securities under this prospectus supplement, the accompanying prospectus and the registration statement:

reports filed under Section 13(a), 13(c) or 15(d) of Securities Exchange Act of 1934, as amended (the **Exchange Act**); and

reports filed or furnished on Form 6-K that expressly indicate that they are incorporated by reference into this prospectus supplement or the accompanying prospectus.

These documents contain important information about us and our financial condition. You may obtain copies of these documents from the SEC in the manner described above. You may also request a copy of these filings (excluding exhibits) at no cost by contacting us as follows:

Vladislav Zlenko
Director, Department of Investor Relations
Mechel OAO
Krasnoarmeyskaya street 1
Moscow 125993
Russian Federation
Tel: +7 495 221 8888
Fax: +7 495 221 8800
e-mail: Vladislav.Zlenko@mechel.com

INDUSTRY OVERVIEW

We commissioned AME Mineral Economics (Hong Kong) Limited (***AME*** *), an industry consultant in the mining and steel sector, to provide a report (the* ***AME Report*** *) for use, in whole or in part, in this Industry Overview section.*

AME prepared their report based on their respective in-house database, independent third-party reports and publicly available data from reputable industry organizations. The information derived from the AME Report have been obtained from official government and non-official sources believed by AME to be reliable. However, since such information is unavoidably subject to certain assumptions and estimates made by third parties, there can be no assurance as to the accuracy or completeness of included information and it should not be unduly relied upon. As certain economic data is collected on a sample basis or estimated by AME, as appropriate, each table and figure should be assumed to include estimated information.

Forecasts and assumptions included in the AME Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of governments, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, coal prices, risks inherent in the mining industry, financing risks, labor risks, uncertainty of mineral reserve and resource estimates, equipment and supply risks, regulatory risks and environmental concerns.

Investors should note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false, inaccurate or misleading or that any part has been omitted that would render such information false, inaccurate or misleading. Mechel, the underwriters, their respective directors and advisors and other persons or parties involved in the offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

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 ferroalloys, 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 construction, automobile, industrial and consumer durable sectors are the key drivers of steel demand. The demand for steel products 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 1.1 billion tonnes in 2009, which is 6.7% below 2008 consumption. However, following renewed global financial stability, which was partly supported by various government stimulus packages, and strong rates of urbanization and development in developing nations, such as China and India, global steel demand increased by around 15% to 1.3 billion tonnes in 2010. Following strong rebound in 2010, AME estimates that global apparent steel demand will further grow at a more moderate rate of around 4 to 6% per annum over the next two years. China and the rest of the developing world are expected to be major contributors to steel demand growth in the short to medium term with the United States and certain European countries expected to finally emerge from the economic recession. In coming years, the future growth in demand is expected to come from continued urbanization, construction and infrastructure development. The table below presents estimated apparent finished steel demand:

Table 1: Estimated Apparent Finished Steel Demand by Key Regions (MMt)

Source: AME, World Steel Association

Notes: (1) Other Asia includes Japan and South Korea

(2) 2010 apparent steel consumption figures as estimated by the World Steel Association are not yet available, as the publication containing these estimates (World Steel in Figures) is typically available in June the following year. As a result, 2010 apparent steel consumption estimates are unavailable in the table above. Unlike crude steel production, the World Steel Association does not provide monthly apparent finished steel demand estimates throughout the year.

(3) Apparent demand is assumed by the World Steel Association to reflect the sum of production and imports, less exports and changes in inventories in a particular year.

Crude steel production displayed a similar dynamic, with global crude steel production increasing to an estimated 1.4 billion tonnes in 2010 from 1.2 billion tonnes in 2009, a growth of approximately 16% following a significant decrease in crude steel production in 2009 of 8%. As a result of recovering and growing steel demand globally and especially in developing economies, a strong increase in steel production is expected in the short to medium term according to AME. The table below sets out the dynamics of global crude steel production:

Table 2: Estimated Crude Steel Production by Key Regions (MMt)

Source: AME

Steel prices are characterised by a highly fragmented steel market nature given the range of steel products and regions where the products are marketed. Prices may vary substantially depending on product type, quality and country of sale with steel producers being largely considered as price takers as the prices are solely driven by global demand fundamentals. According to AME, changes to traditional steel pricing are being currently adopted as a result of changes in raw materials pricing on both iron ore and coking coal. Shorter contract terms with annual steel sales contracts being viewed too long by coal producers are more common now.

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 is estimated to have grown by 9.6% from 40.6 million tonnes in 2009 to 44.5 million tonnes in 2010 and in Russia grew by 10.9% from 24.7 million tonnes to 27.4 million tonnes. We believe that the Russian steel market also has significant potential for further growth based on relatively low per capita finished steel demand compared to other emerging and established markets. According to AME, Russian per capita steel demand in 2010 was 197 kg per person compared to 580 kg in Japan, 294 kg in the EU, 292 kg in the US and 438 kg in China.

In recent years, steel prices were volatile due to the changing market conditions. The export price of rebar decreased to a low of $469 per tonne (Turkey market) in 2009, and grew to a high of $591 per tonne in 2010. The export price of cold rolled coil reached a low of $532 per tonne (FOB Black Sea) in 2009, and increased to a high of $697 per tonne in 2010, according to AME. The prices for steel products were gradually increasing during 2010 through to the first quarter of 2011 and reached $677 per tonne for rebar in the export (Turkey market) and $827 per tonne for cold rolled coil (Russia export market) in the first quarter 2011, according to AME.

Table 3: Steel Prices FOB (US$/t)

Source: AME, Bloomberg, TEX, Steel Business Briefing, Metal Bulletin, Plats

Notes: (1) There are a number of benchmark steel prices which are quoted and accepted by participants in the global steel market as indicative of regional steel prices for various steel prices. We refer to these prices as benchmark prices. These benchmark prices are compiled by private companies (Metal Bulletin, Platts) as well as government statistical and state affiliated information services in some jurisdictions. These data providers develop their price series by collecting and reporting steel trades on the spot market.
(2) Prices were obtained from Bloomberg and well regarded industry publications such as Tex Report, Steel Business Briefing and Metal Bulletin.

Coal

Growing steel production is closely linked to coking coal demand. In 2009, the global demand for internationally traded coking coal was estimated at approximately 223 million tonnes, which represented a 7.4% decline from 2008. The decline in coal demand was driven by a slowdown in steel production following economic crisis. However, recovery in steel production in 2010 resulted in growing demand for internationally traded coking coal. In 2010, coking coal demand was 269 million tonnes, up 20.9% compared to 2009. The table below presents historical demand for internationally traded coking coal based on AME data:

Table 4: Estimated Coking Coal Imports by Key Regions (MMt)

Source: AME

Table of Contents

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 with further growth in Chinese demand expected in 2011 according to AME. Additional coking coal demand is also expected to come from India which implements an ambitious steel industry expansion program.

On the supply side, following a decrease in global coking coal supply in 2009, supply is estimated to increase by 10 to 11% in 2010 according to AME. In 2010, Australia further grew its output, which accounts for above 55% of total global exports, with Mongolia currently emerging as another major producer of coking coal that is favorably located in order to supply China s increasing import volumes. In late 2010 and early 2011, 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. Shortage of coking coal supply, particularly premium coking coals, scarcity of high quality coking coal and greater acceptance of lower coking blends in blast furnaces may increase demand for lower quality coking coals.

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, Mongolia 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 is expected to 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 challenge of securing capital funding, particularly given the higher project development cost requirements, and the changed financial climate.

Table 5: Estimated Top 10 Coking Coal Producers, 2010 (MMt)

Source: AME; company reports; trade statistics

Notes: (1) Pro-forma acquisition of Massey Energy by Alpha Natural Resources. This assumes the consolidation of Massey Energy and Alpha Natural Resources estimated production and export figures.
(2) Pro-forma acquisition of Western Coal by Walter Mining. This assumes the consolidation of Western Coal and Walter Mining estimated production and export figures.

The majority of coal is sold under term contracts with a small proportion sold on the spot market with the coking and thermal coal markets operating relatively independently of each other. In terms of pricing differentials, coking coal is priced according to certain coking characteristics, including ash, sulphur and volatile matter content as well as other characteristics including dilation swelling index and maximum reflectance of vitrinite in oil. Continuing market buoyancy and increased frequency in price adjustments may support the rise in coking coal prices over the short term. The table below presents historical prices for various types of coking coal:

Table 6: Estimated Benchmark Coking Coal Prices (US$/t, FOB, nominal)

Source: AME

Notes: (1) Premium hard coking coal prices are for high quality coals such as Peak Downs or Goonyella Riverside. Standard Hard Coking prices are for non-premium average quality hard coking coal such as Norwich Park. Semi-hard coking coal prices are based on a cross-section of semi-hard brands including (but not limited to) coal products from Gregory, Burton and Metropolitan. Semi-soft coking coal prices reflect the price of typical NSW Hunter Valley brands.

(2) 2010 figures represents estimated annual average prices.

According to AME, prices for coking coal grades are expected to remain robust in the short term. Relatively strong demand and tight supply conditions, especially for hard coking coal, are expected to lead to an increase in prices in the short term. This is attributable to (a) shortage and scarcity of high quality coking coal supply, (b) increased steel production levels especially in developing countries, (c) recovery on traditional markets in Europe, North America and Japan.

Impact of Steel on Iron Ore and Ferroalloys

The demand for iron ore and ferroalloys is primarily influenced by trends in the production of steel, as iron ore and ferroalloys are important ingredients in the steel production process. Due to this relationship, the demand for iron ore and ferroalloys tends to rise as the demand for steel strengthens.

Iron ore is one of the key raw materials used for steel production. It is usually smelted in blast furnaces to produce pig iron, which is the primary metallic feed for steelmaking furnaces in integrated steel plants. Approximately 98% of the total mined iron ore is used for steel production. Ferroalloys are primarily used as additions during the steelmaking process. They are melted together with iron to add various chemical elements such as nickel, manganese or silicon which impart distinct qualities to steel or serve important functions during production and are therefore closely related to the steel industry.

Table of Contents

RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE DIVIDENDS

The following table sets forth our ratio of earnings to combined fixed charges and preference dividends for each of the five years ended December 31, 2010.

	Year Ended December 31				
	2010	2009	2008	2007	2006
	(In thousands of U.S. dollars)				
Earnings					
Pre-tax income from continuing operations before income/loss from equity investees	967,446	94,024	1,347,551	1,385,439	874,691
Fixed charges	671,100	586,238	358,828	110,207	54,049
Depreciation of capitalized interests	10,653	5,706	4,261	3,449	2,632
Dividends received from equity investees		11	6,569	4,618	4,100
Interest capitalized	(112,703)	(87,252)	(34,745)	(11,231)	(15,866)
Total	1,536,496	598,727	1,682,464	1,492,482	919,606
Fixed charges					
Interest expenses	558,397	498,986	324,083	98,976	38,183
Interests capitalized	112,703	87,252	34,745	11,231	15,866
Total	671,100	586,238	358,828	110,207	54,049
Preference security dividend(1)	8,780	134,498			
Fixed charges and preference dividends	679,880	720,736	358,828	110,207	54,049
Ratio of earnings to combined fixed charges and preference dividends	2.26	(2)	4.69	13.54	17.01

(1) There were no preferred shares outstanding during the three years ended December 31, 2008.

(2) Earnings for the year ended December 31, 2009 were inadequate to cover fixed charges and preference dividends. The coverage deficiency was $122.0 million

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization at December 31, 2010. You should read this table together with the information under Operating and Financial Review and Prospects and our consolidated financial statements included in our Annual Report.

	At December 31, 2010 (In thousands of U.S. dollars)
Long-term debt and finance lease liabilities, net of current portion	5,370,987
Shareholders equity:	
Common shares	133,507
Preferred shares	25,314
Treasury shares	
Additional paid-in capital	862,126
Retained earnings	3,822,861
Accumulated other comprehensive income	(200,983)
Equity attributable to shareholders of Mechel OAO	4,642,825
Non-controlling interests	308,186
Total shareholders equity	**4,951,011**
Total capitalization	**10,321,998**

Except for the additional long term indebtedness incurred subsequent to December 31, 2010 as set out in our consolidated financial statements included in the Annual Report, there has been no material change in our capitalization since December 31, 2010.

Table of Contents

OWNERSHIP OF PREFERRED SHARES AND SELLING SHAREHOLDERS

The following table sets forth information with respect to the ownership of the preferred shares as of the date of this prospectus supplement and about each Selling Shareholder, including (1) the number and percentage of preferred shares each Selling Shareholder owns as of the date of this prospectus supplement; (2) the number of preferred shares offered for sale by each Selling Shareholder through this prospectus supplement; and (3) the number and percentage of outstanding preferred shares each Selling Shareholder will own after the offering.

	Preferred Shares Owned Prior to This Offering		Preferred Shares Sold in This Offering	Preferred Shares Owned After This Offering	
	Number	%	Number	Number	%
Justice Persons:					
James C. Justice II	24,035,577	17.32	13,251,200	10,784,377	7.77
James C. Justice III	16,551,240	11.93	9,123,200	7,428,040	5.35
James C. Justice Companies Inc.(1)	11,028,468	7.95	6,080,000	4,948,468	3.57
Jillean L. Justice	6,429,287	4.63	3,545,600	2,883,687	2.08
Mechel:					
Skyblock Limited(2)	55,502,766	40.00		55,502,766	40.00
Public float	25,209,577	18.17		57,209,577	41.23
Total	138,756,915	100.00	32,000,000	138,756,915	100.00

(1) James C. Justice Companies Inc. is directly owned by James C. Justice II (51%), James C. Justice III (35%) and Jillean L. Justice (14%).

(2) Skyblock Limited is a wholly owned subsidiary of Mechel OAO. Preferred shares owned by Skyblock Limited are considered issued and outstanding shares under Russian law and have all the rights attaching to other preferred shares. The preferred shares owned by Skyblock Limited are not considered outstanding for purposes of our U.S. GAAP financial statements.

Table of Contents

PRICE RANGE OF PREFERRED AMERICAN DEPOSITARY SHARES

Our preferred ADSs are listed on the NYSE under the symbol MTL PR. On April 19, 2011, the reported last trading price of our preferred ADSs on the NYSE was $9.92. Each preferred ADS represents an interest in one-half of one preferred share. The preferred shares were admitted to trading (without listing) on the RTS and the MICEX, and trading is expected to commence on April 21, 2011 under the symbol MTLRP. Prior to the offering to which this prospectus supplement relates there has been no trading or public market for the preferred shares other than in the form of preferred ADSs.

The following table sets forth the high and low closing prices for the preferred ADSs on the NYSE for (i) each of the most recent six months, (ii) each of the last four quarters and (iii) the period between May 7, 2010, the date on which trading of the preferred ADSs began on the NYSE, and December 31, 2010:

	High	Low
	(In U.S. dollars)	
2010 (May 7, 2010 through December 31, 2010)	9.66	6.60
2010		
Second quarter	7.90	6.60
Third quarter	8.29	6.66
Fourth quarter	9.66	7.73
2011		
First quarter	11.00	9.30
Most recent 6 months		
October 2010	8.38	7.75
November 2010	8.24	7.73
December 2010	9.66	7.90
January 2011	11.00	9.69
February 2011	10.70	9.30
March 2011	10.91	9.98
April 2011 (through April 19, 2011)	11.27	9.34

In previous offerings, the Selling Shareholders have sold preferred ADSs representing 25,209,577 preferred shares. As the portion of our preferred shares that may be held in the form of preferred ADSs is limited by Russian law, we have instructed the depositary for the preferred ADSs not to accept any additional preferred shares in excess of this amount in order to preserve capacity under 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 and until additional capacity becomes available under the preferred ADS program because other holders of preferred ADSs convert their preferred ADSs into preferred shares or because we otherwise instruct the depository to accept such deposits.

Table of Contents

TAXATION IN THE RUSSIAN FEDERATION

For a description of the material Russian tax consequences of owning our preferred shares, see Item 10. Taxation Russian Income and Withholding Tax Considerations in the Annual Report.

TAXATION IN THE UNITED STATES

For a description of the material U.S. tax consequences of owning our preferred shares, see Item 10. Taxation U.S. Federal Income Tax Considerations in the Annual Report.

UNDERWRITING

The Selling Shareholders are selling 32,000,000 preferred shares through the underwriters as described below.

Under the terms and subject to the conditions contained in an underwriting agreement among us, the Selling Shareholders and the underwriters, the Selling Shareholders have agreed to sell, and Morgan Stanley & Co. Incorporated, Renaissance Securities (Cyprus) Limited and VTB Capital Plc, as the underwriters, have agreed severally and not jointly to purchase, the number of preferred shares set forth opposite their names in the table below:

Name	Number of Preferred Shares
Morgan Stanley & Co. Incorporated	13,830,560
Renaissance Securities (Cyprus) Limited[1]	13,830,560
VTB Capital Plc[2]	4,338,880
Total	32,000,000

(1) Renaissance Securities (Cyprus) Limited is not registered as a broker-dealer with the SEC. Any offers and sales of preferred shares by Renaissance Securities (Cyprus) Limited in the United States will be made through its SEC-registered broker-dealer affiliate RenCap Securities, Inc.

(2) VTB Capital Plc is not registered as a broker-dealer with the SEC. Any offers and sales of preferred shares by VTB Capital Plc in the United States will be made through one or more SEC-registered broker-dealers, which may be affiliates of VTB Capital Plc.

The underwriters are offering the preferred shares subject to their acceptance of the preferred shares from the Selling Shareholders and subject to prior sale. The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the preferred shares offered by this prospectus supplement are subject to the receipt of opinions on specified legal matters by their counsel and to other conditions. The underwriters, acting severally, are obligated to take and pay for the preferred shares sold pursuant to the underwriting agreement, subject to the termination rights that the underwriters have in certain situations and other conditions of the underwriting agreement.

We and the Selling Shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the **Securities Act**) or to contribute to payments the underwriters may be required to make because of any of these liabilities.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of preferred shares offered by them pursuant to the underwriting agreement.

Coalmetbank has marketed the preferred shares to the general public in the Russian Federation, but Coalmetbank did not underwrite any of the preferred shares sold in the offering to which this prospectus supplement relates. To the extent Coalmetbank has collected orders for preferred shares from its customers, it has placed any orders with one of more of the underwriters. Our group uses Coalmetbank for various day-to-day banking services, including the payment of salaries to our employees. Coalmetbank is owned by the Mechel Fund, a non-governmental pension fund for our employees, which is not a related party as of the date of this prospectus supplement. See note 9 to our consolidated financial statements under Item 18. Financial Statements in the Annual Report. We cannot estimate the extent to which our officers, directors or employees may subscribe for preferred shares.

The representatives of the underwriters may be contacted at the following addresses: Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, New York 10036, United States, Attn: Equity Syndicate Desk with a copy to the Legal Department; Renaissance Securities (Cyprus) Limited, c/o RenCap Securities, Inc., 780 3rd Avenue, 20th Floor, New York, New York 10017, United States; and VTB Capital Plc, 14 Cornhill, London EC3V 3ND, United Kingdom, Attn: Co-Head of Global Banking.

Table of Contents

Commissions and Discounts

The underwriters have informed us that they propose initially to offer part of the preferred shares sold pursuant to the underwriting agreement directly to the public at the public offering price listed on the cover page of this prospectus supplement. After the initial offering of the preferred shares, the offering price and other selling terms may from time to time be varied by the underwriters.

The underwriting fee is equal to the public offering price per preferred share less the amount paid by the underwriters to the Selling Shareholders per preferred share. The underwriting fee is $0.48675 per preferred share.

The following table shows the public offering price per preferred share, the total underwriting discounts to be paid to the underwriters for the offering and the total proceeds to the Selling Shareholders from the offering, after deduction of underwriting discounts, but before expenses.

	Per Preferred Share		Total	
Public offering price	$	16.50	$	528,000,000
Underwriting discount	$	0.48675	$	15,576,000
Proceeds, before expenses, to Selling Shareholders	$	16.01325	$	512,424,000

We estimate that the total expenses of the offering, including registration, filing and listing fees, road show expenses, printing fees and legal and accounting expenses, but excluding underwriting discounts, will be approximately $2.7 million. The Selling Shareholders have agreed to reimburse us for substantially all such expenses incurred by us in connection with the offering.

Lock-Up

We have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated, Renaissance Securities (Cyprus) Limited and VTB Capital Plc, we will not, during the period ending 90 days following the pricing of the offering to which this prospectus supplement relates:

issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any common shares, par value 10 rubles per share, of Mechel OAO or any preferred shares (the common shares together with the preferred shares, **Company Stock**) or any securities convertible into or exercisable or exchangeable for Company Stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Company Stock, whether any such transaction described in this bullet point or the one above is to be settled by delivery of Company Stock or such other securities, in cash or otherwise; or

file any registration statement with the SEC relating to the offering of any shares of Company Stock or any securities convertible into or exercisable or exchangeable for Company Stock.

Our wholly-owned subsidiary Skyblock Limited has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated, Renaissance Securities (Cyprus) Limited and VTB Capital Plc, it will not, during the period ending 90 days following the pricing of the offering to which this prospectus supplement relates:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Company Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended) by it or any other securities so owned convertible into or exercisable or exchangeable for Company Stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Company Stock, whether any such transaction described in this bullet point or the one above is to be settled by delivery of Company Stock or such other securities, in cash or otherwise; or

Table of Contents

make any demand for or exercise any right with respect to, the registration of any shares of Company Stock or any security convertible into or exercisable or exchangeable for Company Stock.

The restrictions on us and Skyblock Limited described above do not apply to:

the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act, for the transfer of shares of Company Stock, *provided* that such plan does not provide for the transfer of Company Stock during the 90 days restricted period, and no public announcement or filing under the Exchange Act regarding the establishments of such plan shall be required of or voluntarily made by or on behalf of us or Skyblock Limited, as the case may be;

a transfer of Company Stock (or any securities convertible into or exchangeable into Company Stock, including ADSs representing Company Stock) to a single transferee or group of transferees as consideration for the acquisition of assets by us, *provided* that the transferee(s) agree to lock-up arrangements substantially the same as those that apply to us or Skyblock Limited, as the case may be; for the remainder of the restricted period;

transfers of Company Stock among or between any of our subsidiaries, *provided* that the transferee(s) agree to lock-up arrangements substantially the same as those that apply to us or Skyblock Limited, as the case may be, for the remainder of the restricted period;

transfers of Company Stock to any third party, *provided* that such third party agrees to lock-up arrangements substantially the same as those that apply to us or Skyblock Limited, as the case may be, for the remainder of the restricted period; or

any mortgage, charge, pledge, lien, option, restriction, third-party right or interest, encumbrance or security interest of any kind, or another type of preferential arrangement (including the use of derivative instruments, such as forward and futures contracts) having similar effect, or any agreement of arrangement to create any of the same in relation to the preferred shares, in connection with debt financing to us or any of our subsidiaries from a financial institution, *provided* that any such arrangement does not permit a disposal of such preferred shares during the remainder of the restricted period.

For purposes of the foregoing sentence, transfer is broadly construed to include any type of transfer set out in the first two bullet points of the above lock-up description relating to us or the lock-up description relating to Skyblock.

In addition, the restrictions on us described above also do not apply to the issuance by us of shares of Company Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date of pricing of which the underwriters have been advised in writing. The restrictions on Skyblock Limited described above also do not apply to transactions relating to shares of Company Stock or other securities acquired in open market transactions after the completion of the offering to which this prospectus supplement relates, *provided* that no public filing shall be voluntarily made in connection with subsequent sales of Company Stock or other securities acquired in such open market transactions.

The Selling Shareholders have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated, Renaissance Securities (Cyprus) Limited and VTB Capital Plc, they will not, during the period ending 360 days following the pricing of the offering to which this prospectus supplement relates:

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Company Stock or any securities convertible into or exercisable or exchangeable for Company Stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Company Stock, whether any such transaction described in this bullet point or the one above is to be settled by delivery of Company Stock or such other securities, in cash or otherwise.

The restrictions on the Selling Shareholders described above do not apply to (1) a bona fide gift or gifts, including as a result of the operation of law or estate or intestate succession, (2) to transfers to any trust, partnership, limited liability company or other entity for the direct or indirect benefit of a Selling Shareholder or the immediate family of a Selling Shareholder (for purposes of this paragraph, immediate family shall mean any relationship by

Table of Contents

blood, marriage or adoption, not more remote than first cousin), (3) distributions to limited partners or stockholders of a Selling Shareholder, (4) transfers to a Selling Shareholder s affiliates or to any investment fund or other entity controlled or managed by a Selling Shareholder, (5) transfers of Company Stock to any third party, or (6) the transactions contemplated by the underwriting agreement and in this prospectus supplement; provided that in connection with each of cases (1), (2), (3), (4) and (5) above (A) the Selling Shareholder receives and delivers to the underwriters a signed lock-up agreement substantially in the form of the restrictions that apply to such Selling Shareholder for the balance of the restricted period from each donee, trustee, distributee or transferee, as the case may be, (B) any such transfer shall not involve a disposition for value, (C) such transfers are not required to be reported in any public report or filing with the SEC, or otherwise and (D) the Selling Shareholder does not otherwise voluntarily effect any public filing or report regarding such sales. For purposes of the foregoing sentence, transfer is broadly construed to include any type of transfer set out in the two bullet points of the above lock-up description relating to the Selling Shareholders.

Finally, Igor Zyuzin, our chairman and controlling shareholder, has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated, Renaissance Securities (Cyprus) Limited, and VTB Capital Plc, he will not and he will ensure that any entities through which he indirectly holds common shares will not, during the period ending 90 days following the pricing of the offering to which this prospectus supplement relates, (1) sell any of the common shares beneficially held by him or them as of the date of pricing or (2) make any demand for or exercise any right with respect to, the registration of any common shares or any security convertible into or exercisable or exchangeable for common shares. The restrictions on Mr. Zyuzin described under (1) above do not apply to:

- transactions relating to shares of Company Stock or other securities acquired in open market transactions after the completion of the offering to which this prospectus supplement relates, *provided* that no public filing shall be voluntarily made in connection with subsequent sales of Company Stock or other securities acquired in such open market transactions;

- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Company Stock, *provided* that such plan does not provide for the transfer of Company Stock during the restricted period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of Mr. Zyuzin or us;

- transfers of Company Stock to members of Mr. Zyuzin s immediate family or to persons or entities under common control with any of them, other than us and our subsidiaries, *provided* that the transferee(s) agree to a lock-up substantially the same as applied to Mr. Zyuzin for the remainder of the restricted period; or

- transfers of Company Stock to any third party, *provided* that such third party agrees to a lock-up substantially the same as applied to Mr. Zyuzin for the remainder of the restricted period

Other Relationships

From time to time, the underwriters and their affiliates have provided, and may provide in the future, investment banking, commercial banking and other financial services to us for which they have received and may continue to receive customary fees and commissions. In particular, CJSC VTB Capital , an affiliate of VTB Capital Plc, has participated in the placement of our Russian bonds with a total nominal value of 35.0 billion rubles and JSC VTB Bank , the group parent company of VTB Capital Plc, has opened credit lines for us in the total amount of 18.6 billion rubles as of March 1, 2011. In addition, certain entities affiliated with VTB Capital Plc have been among the mandated lead arrangers under a syndicated loan facility extended to us in the total amount of $2.0 billion.

Foreign Selling Restrictions

European Economic Area

Each underwriter agreed that, in relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a **Relevant Member State**), an offer of preferred shares that are the subject of the offering contemplated by this prospectus supplement to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the preferred shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus

Directive, except that an offer of preferred shares and to the public in that Relevant Member State may be made at any time under the following exceptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities that are qualified investors as defined under the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the other underwriters; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of preferred shares referred to in (a) through (c) above shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this section, the expression **an offer of preferred shares to the public** in relation to any preferred shares in any Relevant Member State means the communication to persons in any form and by any means of sufficient information on the terms of the offer and the preferred shares to be offered so as to enable an investor to decide to purchase or subscribe the preferred shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each underwriter severally represented, warranted and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) received by it in connection with the issue or sale of any preferred shares in circumstances in which section 21(1) of FSMA does not apply and (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the preferred shares in, from or otherwise involving the United Kingdom.

Settlement and Delivery

Delivery of the preferred shares is expected to commence on or about April 21, 2011. Purchasers of preferred shares must pay for the preferred shares in U.S. dollars promptly after delivery of the preferred shares by the underwriters. In order to take delivery of the preferred shares, purchasers must either have a direct account with our share registrar, NIKoil Registrator OAO, or a deposit account with CJSC Depositary Clearing Company (**DCC**) or any other depositary. The timing for the delivery of the preferred shares to the purchasers accounts will in each case depend on which account will be used for the delivery.

Table of Contents

LEGAL MATTERS

Certain matters of United States law in connection with the offering will be passed upon for us by Allen & Overy Legal Services, Moscow, Russian Federation and certain matters of Russian law in connection with the offering will be passed upon for us by Liniya Prava, Moscow, Russian Federation. Certain matters of United States law in connection with the offering will be passed upon for the underwriters by Skadden Arps Slate Meagher and Flom (UK) LLP, London, United Kingdom and certain matters of Russian law in connection with the offering will be passed upon for the underwriters by Skadden Arps Slate Meagher and Flom LLP, Moscow, Russian Federation.

EXPERTS

Ernst & Young LLC, independent registered public accounting firm, have audited our consolidated financial statements included in our Annual Report on Form 20-F for the year ended December 31, 2010, as set forth in their report, which is incorporated by reference in this prospectus supplement and elsewhere in the registration statement. Our financial statements are incorporated by reference in reliance on Ernst & Young LLC s report, given on their authority as experts in accounting and auditing.

Table of Contents

PROSPECTUS

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

Preferred Shares and Preferred American Depositary Shares

This prospectus relates to preferred shares, par value 10 rubles per share, of Mechel OAO and preferred American Depositary Shares (**preferred ADSs**) that may be offered for sale from time to time by our wholly-owned subsidiary Skyblock Limited or by the other selling shareholders identified in this prospectus (the **Selling Shareholders**). Each preferred ADS represents one-half of a preferred share.

We, through Skyblock Limited, or the other Selling Shareholders may sell the preferred shares and preferred ADSs in amounts, at prices and on terms that will be determined at the time of sale. The registration of these preferred shares and preferred ADSs does not necessarily mean that any of the preferred shares or preferred ADSs will be offered or sold by us or the Selling Shareholders.

Each time preferred shares or preferred ADSs are offered pursuant to this prospectus, you will, if necessary or required, be provided with a prospectus supplement attached to this prospectus. The prospectus supplement will contain more specific information about the offering, and may add, update or change information contained in this prospectus.

We or the Selling Shareholders may offer and sell preferred shares or preferred ADSs directly, through agents, dealers or underwriters as designated from time to time, or through a combination of these methods. If any agents, dealers or underwriters are involved in the sale of any of our common shares, the applicable commissions or discounts will, to the extent not set forth herein, be described in a prospectus supplement. See Plan of Distribution for a further description of the manner in which we or the Selling Shareholders may dispose of the preferred shares and preferred ADSs covered by this prospectus.

Except for any sales of preferred shares or preferred ADSs by our wholly-owned subsidiary Skyblock Limited, the Selling Shareholders will receive all of the net proceeds from the sales of the preferred shares or preferred ADSs made pursuant to this prospectus and will pay all underwriting discounts and selling commissions, if any, applicable to those sales. We will not receive any proceeds from sales of any of these preferred shares or preferred ADSs.

You should carefully read this prospectus and any applicable prospectus supplement, together with the documents incorporated by reference, before you invest in the preferred shares or preferred ADSs.

See Risk Factors beginning on page 13 of our annual report on Form 20-F for the year ended December 31, 2009, which is incorporated herein by reference, and the section titled Risk Factors included in any applicable prospectus supplement, to read about factors you should consider before investing in the preferred shares or preferred ADSs.

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

The date of this prospectus is April 26, 2010.

TABLE OF CONTENTS

	Page
Cautionary Note Regarding Forward-Looking Statements	1
About this Prospectus	2
Mechel OAO	2
Where You Can Find More Information About Us	2