

Mechel OAO  
Form 20-F  
June 23, 2009

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 20-F**

- o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b)  
OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- or**
- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**
- or**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**
- or**
- o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 333-119497**

**MECHEL OAO**

*(Exact name of Registrant as specified in its charter)*

**RUSSIAN FEDERATION**

*(Jurisdiction of incorporation or organization)*

**Krasnoarmeyskaya Street 1, Moscow 125993, Russian Federation**

*(Address of principal executive offices)*

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
AMERICAN DEPOSITARY SHARES, EACH ADS REPRESENTING ONE COMMON SHARE COMMON SHARES, PAR VALUE 10 RUSSIAN RUBLES PER SHARE	NEW YORK STOCK EXCHANGE  NEW YORK STOCK EXCHANGE <sup>(1)</sup>

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**NONE**

*(Title of Class)*

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**NONE**

*(Title of Class)*

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

416,270,745 common shares (including 115,567,933 shares in the form of ADSs)

138,756,915 preferred shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

(1) Listed, not for trading or quotation purposes, but only in connection with the registration of ADSs pursuant to the requirements of the Securities and Exchange Commission.



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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 subsidiaries.

Our business consists of four segments: mining, steel, ferroalloys and power. References in this document to segment revenues are to revenues of the segment excluding intersegment sales, unless otherwise noted.

For purposes of calculating certain market share data, we have included businesses that are currently part of our group that may not have been part of our group during the period for which such market share data are presented.

References to U.S. dollars, \$ or cents are to the currency of the United States, references to rubles or RUR are to the currency of the Russian Federation and references to euro or are to the currency of the member states of the European Union (the E.U. ) that participate in the European Monetary Union.

The term tonne as used herein means a metric tonne. A metric tonne is equal to 1,000 kilograms or 2,204.62 pounds.

Certain amounts that appear in this document have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables or in the text may not be an arithmetic aggregation of the figures that precede them.

CIS means the Commonwealth of Independent States, its member states being Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Matters discussed in this document may constitute forward-looking statements, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words believe, expect, anticipate, intend, estimate, forecast, project, will, may, should and similar expressions identify forward-looking statements. Forward-looking statements appear in a number of places including, without limitation, Item 3. Key Information Risk Factors, Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects, and include statements regarding:

strategies, outlook and growth prospects;

future plans and potential for future growth;

liquidity, capital resources and capital expenditures;

growth in demand for our products;

economic outlook and industry trends;

developments in our markets;

the impact of regulatory initiatives; and

the strength of our competitors.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of profitability, growth, cost and synergies expected to result from our recent acquisitions, our ability to integrate successfully the ferroalloys segment of our business, the timely development and acceptance of new products, the impact of competitive pricing, the ability to obtain necessary regulatory approvals, the condition of the Russian economy, political stability in Russia, volatility in stock markets or in the price of our shares or American depository shares ( ADSs ), financial risk management, the impact of general business and global economic conditions and other important factors described herein and from time to time in the reports to be filed by us with the Securities and Exchange Commission (the SEC ).

Except to the extent required by law, neither we, nor any of our agents, employees or advisers intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained or incorporated by reference in this document.





**Table of Contents****PART I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****Selected Financial Data**

The financial data set forth below as of December 31, 2008, 2007, 2006, 2005 and 2004, and for the years then ended, have been derived from our consolidated financial statements. Our reporting currency is the U.S. dollar and we prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States ( U.S. GAAP<sup>(1)</sup>).

Our results of operations for the periods presented are significantly affected by acquisitions. Results of operations of these acquired businesses are included in our consolidated financial statements for the periods after their respective dates of acquisition. See note 1(a) to our consolidated financial statements in Item 18. Financial Statements. The financial data below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and related notes included under Item 18. Financial Statements and Item 5. Operating and Financial Review and Prospects.

	<b>Year Ended December 31,</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(In thousands of U.S. dollars, except share and per share amounts)</b>				
<b>Consolidated statements of income and comprehensive income data:</b>					
Revenue, net	9,950,705	6,683,842	4,397,811	3,804,995	3,635,955
Cost of goods sold	(5,260,108)	(4,166,864)	(2,860,224)	(2,469,134)	(2,225,088)
Gross profit	4,690,597	2,516,978	1,537,587	1,335,861	1,410,867
Selling, distribution and operating expenses	(2,134,328)	(1,119,385)	(811,889)	(820,133)	(660,060)
Operating income	2,556,269	1,397,593	725,698	515,728	750,807
Other (expense) income, net	(1,208,001)	(12,146)	139,135	10,131	794,288
Income before tax, minority interest, discounted operations, extraordinary gain	1,348,268	1,385,447	864,833	525,859	1,545,095
Income tax expense	(118,887)	(356,320)	(230,599)	(136,643)	(175,776)
Minority interest in income of subsidiaries	(88,837)	(116,234)	(31,528)	(6,879)	(11,673)

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Income from continuing operations	1,140,544	912,893	602,706	382,337	1,357,646
Income (loss) from discontinued operations, net of tax		158	543	(1,157)	(15,211)
Extraordinary gain, net of tax					271
Net income	1,140,544	913,051	603,249	381,180	1,342,706
Currency translation adjustment	(227,618)	136,673	148,920	(53,822)	49,116
Change in pension benefit obligation	87,659	(14,365)			
Adjustment of available-for-sale securities	(6,571)	(5,059)	11,203	2,181	(2,350)
Additional minimum pension liability			(4,669)		
Comprehensive income	994,014	1,030,300	758,703	329,539	1,389,472

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	<b>Year Ended December 31,</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(In thousands of U.S. dollars, except share and per share amounts)</b>				
Earnings per share from continuing operations	2.74	2.19	1.48	0.95	3.63
Loss per share effect of discontinued operations	0.00	0.00	0.00	0.00	(0.04)
Earnings per share effect of extraordinary gain	0.00	0.00	0.00	0.00	0.00
Net income per share	2.74	2.19	1.48	0.95	3.59
Cash dividends per share	1.12	0.76	0.46	0.48	0.01
Weighted average number shares outstanding	416,270,745	416,270,745	408,979,356	403,118,680	373,971,312
<b>Steel segment statements of income and comprehensive income data:</b>					
Revenue, net <sup>(2)</sup>	5,773,719	4,414,492	3,083,654	2,767,028	2,832,189
Cost of goods sold <sup>(2)</sup>	(4,219,344)	(3,374,420)	(2,240,001)	(2,158,499)	(2,065,480)
Gross profit	1,554,375	1,040,072	843,653	608,529	766,709
Selling, distribution and operating expenses	(783,936)	(502,811)	(457,100)	(502,248)	(399,955)
Operating income	770,439	537,261	386,553	106,281	366,754
<b>Mining segment statements of income and comprehensive income data:</b>					
Revenue, net <sup>(2)</sup>	4,031,967	1,970,969	1,354,285	1,270,931	1,053,338
Cost of goods sold <sup>(2)</sup>	(1,229,631)	(1,008,485)	(830,632)	(565,126)	(409,385)
Gross profit	2,802,336	962,484	523,653	705,805	643,953
Selling, distribution and operating expenses	(1,001,796)	(391,015)	(332,612)	(295,512)	(235,876)
Operating income	1,800,540	571,469	191,041	410,293	408,077
<b>Power segment statements of income and comprehensive income data:</b>					
Revenue, net <sup>(2)</sup>	1,028,110	598,515	123,322	24,532	15,907

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Cost of goods sold <sup>(2)</sup>	(714,094)	(393,153)	(110,273)	(20,242)	(13,576)
Gross profit	314,016	205,362	13,049	4,290	2,331
Selling, distribution and operating expenses	(284,610)	(192,735)	(4,400)	(2,172)	(694)
Operating income	29,406	12,627	8,649	2,118	1,637
<b>Ferroalloys segment statements of income and comprehensive income data:</b>					
Revenue, net <sup>(2)</sup>	584,631	636,656	339,748	156,241	145,367
Cost of goods sold <sup>(2)</sup>	(571,162)	(253,725)	(174,675)	(150,749)	(147,493)
Gross profit (loss)	13,469	382,931	165,073	5,492	(2,126)
Selling, distribution and operating expenses	(63,986)	(32,824)	(17,777)	(20,201)	(23,533)
Operating (loss) income	(50,517)	350,107			